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## Stone-Age Picassos: 30,000-Year-Old Trove Artistic Level of French Cave Paintings Stuns Scientists After Date Confirmed

By Marilise Simons  
*New York Times Service*

**PARIS** — French authorities have announced that scientific tests have shown some of the masterfully drawn beasts discovered last December in a cave to be at least 30,000 years old, making them the world's oldest known examples of Stone Age paintings.

The Culture Ministry said French and British specialists had determined that charcoal pigments of two rhinoceroses and a bison found in the Chauvet cave in the southeastern Ardèche region were between 30,340 and 32,410 years old.

The oldest previously known cave painting was dated 27,110 before the present and shows the simple outline of a human hand. It was discovered in 1992 in France on a cave wall near Marseille.

Archaeologists said they were stunned by the finding. The team studying the great underground gallery with its more than 300 animal images, many of them leaping or running across great panels, had estimated initially that they were painted perhaps some 20,000 years ago.

The ministry said the test results, which "make these the oldest known painting in the world," have "overturned the accepted notions about the first appearance of art and its development," and they show that "the human race early on was capable of making veritable works of art." Until now, experts have generally thought that early drawing and painting began with crude and clumsy lines and then gradually

became more sophisticated over centuries.

"This date comes as a shock to many of us," said Jean Clottes, the French rock art specialist who has led the scientific exploration of the cave. "It upsets all our thinking about how style evolved," he said.

"We can no longer argue that the development of art was linear," Mr. Clottes added, "because we see now that it was not just a matter of a crude sort of art at first and then a slow improvement. This shows us that early art, just like art of the past few thousand years, had ups and downs. That there were periods when art had a heyday or was less important and that there were artists who were more backward or more gifted."

He continued, "Here we are talking about a time at the beginning of our species and we see that those early painters were as capable as much later artists."

Because the work in the Chauvet cave has proved to be so ancient, archaeologists in France and Spain, both of which are rich in Stone Age art, have said they may have to reconsider the age of artwork found in other caverns and rock shelters that has not been scientifically dated.

The Culture Ministry said that the surprising results had been obtained through 12 separate radiocarbon datings, made from eight samples. They were carried out recently by two French institutes, the Center for Low Radioactivity at Gif-sur-Yvette and the Center for Radiocarbon dating of the University of Lyon.



Two French peacekeepers carrying a third, who was wounded Wednesday in the foot, to an ambulance in Sarajevo. (Yannis Behrakis/Reuters)

## Missed Signals in Car War

### U.S. and Japan Admit Misjudgments

By David E. Sanger  
*New York Times Service*

**WASHINGTON** — As the American deadline for a virtual embargo on imports of Japanese luxury cars approaches, officials of both countries concede that they deeply miscalculated the other's resolve in their trade confrontation. So far, they say, neither side can find a way out.

Economic officials and diplomats, in interviews in Tokyo and Washington in the last two weeks, acknowledged that they had failed to recognize critical political signals indicating that neither side was prepared to back down. That happened despite intense efforts to study each other, talk to each other and spy on each other.

The two sides appear farther apart now than they were a few weeks ago. They cannot even agree on the agenda of low-level talks next week in Geneva, nor on the location of a subsequent negotiation that may be the last chance to resolve the issue before the 100 percent tariffs on 13 Japanese car models go into effect on June 28.

See TRADE, Page 6

[On Wednesday, the United States rejected a request by the European Union that it be allowed to participate in the automotive talks. Reuters quoted an EU official as saying in Geneva. The official said the United States had suggested the EU open its own procedure against Japan under the dispute-settlement mechanism of the World Trade Organization.]

On Tuesday, Japanese officials hinted that they might be drawing up a list of American products that would be subject to retaliation. Vice President Al Gore, sitting beside President Bill Clinton during a television interview Monday, delivered a stern warning to the Japanese.

"If they in any way misjudge the strength and resolve of the president in pursuing this," Mr. Gore said, "they're making a serious mistake."

But officials on both sides say that a number of such mistakes have already been made.

The United States, some officials now acknowledge, missed the importance of a

SARAJEVO, Bosnia-Herzegovina — The Bosnian Serbs released three more United Nations hostages, bringing the total freed since the peacekeepers were seized last month to 232. UN officials said Wednesday.

But 53 peacekeepers were still detained and 93 confined at their positions by the Serbs, said Leah Melkin, a spokeswoman for the United Nations in Zagreb, Croatia. Officials in the Serbian capital of Belgrade said it was likely that the remaining 53 hostages would be released soon.

The three peacekeepers — a Spaniard, a Brazilian and a Frenchman — were flown Wednesday from the Bosnian Serbs' stronghold of Pale to Belgrade, UN officials said. Their release followed that of

108 other peacekeepers about 12 hours earlier in the day.

The releases came as Sarajevo suffered a day of relentless shelling and small arms fire that underscored the collapse of U.N. efforts to maintain the city as a "safe area."

The city shuddered to cannon, tank and rocket fire a half-mile for a strategic ridge south of the town center between government forces and separatist Serbs spread into a citywide free-for-all, during which three people were killed and at least 19 injured. Streets were deserted as many of the almost 300,000 people left in Sarajevo budded in basements.

As the hostage crisis began to wind down, it appeared that what the United Nations itself called Serbian "terrorism" had paid off.

The NATO bombing that led to the

seizure of the hostages has not been repeated, the Serbian bombardment of Sarajevo that the NATO air attacks were supposed to stop has intensified, and the Bosnian Serbs appear to have received quiet assurances that the era of NATO air strikes in Bosnia is over.

"It's pretty clear that air strikes are finished, and that's no doubt been whispered in Karadzic's ear by some national governments," said one UN official, Radovan Karadzic is the leader of the Bosnian Serbs.

For two years, NATO air strikes have been a sanction available to United Nations peacekeepers to protect so-called "safe areas," including Sarajevo, Bihać and Gorazde and ensure that aid convoys are able to reach them.

But in a succession of crises in these

See BOSNIA, Page 6

## Leak Unravels the Inner Workings of G-7

By Alan Friedman  
*International Herald Tribune*

**PARIS** — As if the curtain had come up while the actors were still in rehearsal, the mystique of world summits seemed to evaporate with the leaking of the draft final communiqué meant for next week's meeting of leaders of the world's seven richest countries.

The document is only the work of the so-called shepherds, the advance planners for the summit, and the draft is dated "May 27, 1995 — 1400 hours." But officials of Group of Seven countries said the communiqué offered a pretty fair idea of what President Bill Clinton and other G-7 leaders aim to announce at the end of their annual economic summit, which is June 15 to 17 in Halifax, Nova Scotia.

Among the highlights of the 11-page document, a copy of which was obtained by the International Herald Tribune, are the following:

• A plan to create an "Emergency Financing Mechanism" at the International Monetary Fund to react quickly and with sufficient money available for any future Mexico-style financial crisis.

• A proposal to finance this new IMF facility by doubling the presently available \$27 billion in the General Arrangements to Borrow, a mechanism that is funded by 10 wealthy Western nations plus Saudi Arabia.

• An effort to avoid having to spend any money at all on a Mexico-size crisis by setting up an improved "early warning system" so the IMF can improve the way it monitors economic events among its 179 member nations.

• Praise for the work under way to close the Chernobyl nuclear plant in the Ukraine and for Ukraine's transition to a market economy, along with the offer of up to \$2 billion of fresh international financial aid by the end of 1996.

• A proposal to eliminate "unnecessary overlap" among global financial institu-

tions such as the World Bank and the IMF, and to reduce costs and streamline economic programs at the United Nations.

None of the points is surprising. Each of the proposals has already been the subject of extensive preparation and talks among sharps and G-7 finance ministers that date back nearly six months.

The endless protocol planning for summits, the haggling over the substance of communiqués, and the lack of much real space and time for government leaders to break new ground when they sit down to meet are all part of the summit process.

But as one G-7 official said Wednesday: "These G-7 summits are meant to be well-ordered events. We try to avoid pulling rabbits out of hats."

The same official also stressed the importance of fuller disclosure by countries that borrow from the IMF and by the IMF's own surveillance process.

The draft communiqué, for example,

urges the IMF to "establish benchmarks

See G7, Page 6

## Canada's Conservatives, Darlings of West, Head East

By Anne Swardson  
*Washington Post Service*

**TORONTO** — The great wave of political conservatism that has washed over Canada's west in the last decade now appears to have reached the nation's populous east.

It comes in the person of Michael Harris, a former ski instructor who is favored to win the election Thursday for the premiership of Ontario, Canada's largest province, after promising a 30 percent cut in tax rates, the introduction of "workfare" for welfare recipients and the repeal of affirmative-action hiring requirements.

The platform of Mr. Harris's Progressive Conservative Party is one of the most radical right-wing manifestos ever laid out in Canada, a nation that has based much of its national identity on the contrast between its generous

social programs and the meager aid offered in the United States.

If Mr. Harris wins, he will dethrone Premier Bob Rae, a leader of the leftist New Democratic Party. In recent days, Mr. Rae has charged that Mr. Harris's proposals are "going down the road of some Republican right-wing approach that is imported from the United States."

Indeed, Mr. Harris was endorsed last week by the Wall Street Journal, which praised his tax-cutting proposals as an evocation of the Reagan administration's supply-side economic policies of the 1980s.

Mr. Harris's platform is not quite that — his proposed tax cut is smaller than it might seem, and he does not propose that it will bring an economic surge — but the popularity he has attained is another benchmark in a series of recent conservative gains.

Even if he does not win, the support he has garnered

will very likely influence future politics in Ontario and the rest of Canada.

"He has redefined the agenda," said Hugh Segal, former chief of staff to Brian Mulroney, the former Progressive Conservative prime minister. "The issue will go from dividing up the pie to setting priorities so you have the fiscal capacity to pay your debts."

A victory by Mr. Harris would also remake the federal political landscape. The Progressive Conservative Party was ousted from national leadership in 1993 and reduced to two seats in Parliament; if it is restored to power in Ontario, which holds one-third of Canada's population, the party will have a far larger base from which to rebuild.

The nationwide shift toward conservatism first became obvious when Preston Manning formed the Reform Party.

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## Israel Agrees To Speed Up Power Shift to Palestinians

### All Civilian Functions To Be Relinquished to a Self-Rule Government

By Barton Gellman  
*Washington Post Service*

**JERUSALEM** — Israel gave a shot of adrenaline to sluggish talks on Palestinian self-rule by agreeing suddenly Tuesday night that it will hand over all civilian powers to an elected Palestinian government in the West Bank instead of transferring a few functions at a time.

The concession came on the eve of the 13th diplomatic shuttle to the region by Secretary of State Warren M. Christopher. It took place during negotiations in Cairo over the promised expansion of Palestinian self-rule from its present enclaves in the Gaza Strip and the town of Jericho to nearly the whole of the West Bank.

Important differences remain between Israeli and Palestinian negotiators on the ultimate measure of occupation: how far and how fast Israel's army will withdraw from Arab population centers.

The two sides also disagree on the symbolically important question of whether East Jerusalem Palestinians may run for office in the expanded self-rule authority.

And as for the 140,000 Jewish settlers still living in the occupied West Bank, they are not yet even on the agenda.

Even so, the new Israeli position was described by both sides as a breakthrough. In practical terms, it is a large step toward giving the Palestinian leader Yasser Arafat jurisdiction, if not yet quite sovereignty, over all the territories — save East Jerusalem and Jewish settlements — captured from Jordan in the 1967 Middle East War.

On Mr. Christopher's last trip to the region, the two sides gave themselves a July 1 deadline to work out the details of how elections will proceed in the West Bank and Gaza and how Israel will transfer power to the authority thus elected. Under agreements reached in 1993 and 1994, the elections are now nearly a year overdue.

Prospects of meeting the latest deadline had looked rather dim. Israel holds most of the high cards in the self-rule talks, and it has not been inclined to make concessions while radical Palestinians were killing Jews.

But Friday will mark two months since the last fatal terror attack. Prime Minister Yitzhak Rabin has said repeatedly that Israel wants nothing from the Palestinians but security against such attacks, and the recent hiatus apparently has emboldened him to move ahead.

Brigadier General Yakov Amidror, the head of army intelligence research, was reported to have warned a Knesset committee on Tuesday that terror would increase sharply again as soon as Israel shifted the West Bank to Mr. Arafat's control — because the army will be gone and because General Amidror thinks Mr. Arafat will lose much of his motivation to confront the radicals.

For that reason, Israel wants to move slowly on what it calls the "redeployment" of its forces. The army's plan, dubbed "Rainbow II," envisions many months of construction of new roads for settlers to bypass Palestinian towns and a slowly phased withdrawal.

On Wednesday, the Knesset Finance Committee voted to give the army about \$70 million immediately to begin work on those roads.

Israel wants to pause after vacating each town to assess security, while the Palestinians are demanding a strict timetable. And the two sides also disagree on the depth of withdrawal.

Faisal Husseini, a member of Mr. Arafat's cabinet, said Wednesday.

See PEACE, Page 6

Dow Jones	Down	23.17	4462.03
The Dollar New York	Wed. close	1.4144	1.4105
DM	1.5885	1.5925	
Pound	84.90	84.66	
Yen	9.975	9.946	
FF			

Newsstand Prices

Andorra	9.00 FF	Luxembourg	60 L. Fr
Antilles	11.20 FF	Morocco	13 Dh
Cameroun	1,400 CFA	Oman	800 Rials
Egypt	9.00 FF	Saudi Arabia	9.00 R.
Greece	.980 CFA	Senegal	.980 CFA
Iraq	2,600 Dr.	Spain	.225 Dr.
Ivory Coast	1,120 CFA	Tunisia	.1250 Din
Italy	1.00 Dr.	Turkey	.71 L.
Morocco	1.450 CFA	U.A.E.	8.50 Dinh
Jordan	1 JD	U.S. Mil. (Eur.)	\$1.10
Lebanon	U.S. 1.50		



Life After Communism/A Surplus of Spectacular Violence

## Russia Struggles to Cope With New Kind of Crime

By Steven Erlanger  
New York Times Service

**MOSCOW** — The West has the impression that Russia is rancid with crime, that gang rule the streets, that few people are safe from a post-Soviet horde of muggers, murderers, racketeers and thieves.

In Moscow, where gangland killings have a cinematic brutality, Russians have the same impression, and the perception of growing criminality, corruption and instability is associated in many minds with democracy and a market economy.

The reality, however, is less nightmarish than the perception.

But that does not stop Tatyana Fyodorova, a 41-year-old businesswoman, from walking home from the subway at night with her keys between her fingers like brass knuckles.

Or Viktor Klimenko or his wife from meeting their 17-year-old daughter at the subway station at dusk to walk her home.

Or Irina Dzhina, a 32-year-old scientist, from bolting her new steel door with five locks.

"People have to protect themselves," said Oleg Brukhov, 30, who works at a Moscow barbershop. "The police occasionally round up a few hooligans and detain them overnight, but our police are lawless. Have you ever heard of any big criminals being apprehended here?"

Attitudes like these have important political consequences for Russia's future, giving the old Communist days a retrospective soft focus of stability and order.

Although crime went up sharply after the collapse of the Soviet Union in 1991, as it did throughout the countries of Eastern Europe, it is now leveling off or falling here. The important exceptions are murders, new economic crimes like bank fraud and protection rackets, and official corruption — with officials often suspected of complicity in covering up major crimes.

**C**OMPARED with New York, Moscow is not especially crime-ridden. But there have been more spectacularly violent crimes. The Russian murder rate has surged, largely because of gang shootouts and contract killings of prominent businessmen and criminal leaders, and there has been an increase in crimes committed with a firearm.

"Before, we confiscated a handgun once a week," said Mikhail Andreyev, head of the Interior Ministry's Investigation Agency for Organized Crime. "Now we confiscate arsenals."

Most of these big crimes involve businessmen fighting over territory or settling scores with one another in a legal system that is weak or a body of corporate law that is nonexistent, officials say.

The killing in March of a beloved television host and executive, Vladimir Listiyev, brought thousands of Muscovites into the streets as a protest against crime. Three members of Parliament have died in business-related hits, in addition to 35 hinkers and at least one prominent journalist, Dmitri Khodakov.

In April, in another especially terrible case, the 6-year-old daughter of a leading Russian stockbroker, Andrei Orekhov, was killed on her way to kindergarten when his car was riddled with machine-gun bullets by two gunmen in broad daylight.

Mr. Orekhov, 29, the general director of a major brokerage house, was seriously wounded; his bodyguard and driver survived with minor injuries.

**N**ONE OF these prominent killings have yet been solved, even though the federal counterintelligence service, formerly the domestic side of the KGB and now renamed the Federal Security Service, with new powers, says it knows some of the culprits. Of the 47 contract killings last year in Moscow alone, the police say they have solved only 11.

## Police Investigators Can't Keep Up With Deluge of Cases

New York Times Service

**MOSCOW** — Captain Boris Ponomaryov is unhappy, overworked and underpaid. He is one of four investigators at the militia station for the high-crime Kuzminsky district in southeastern Moscow.

He tries to support his wife and two young sons on \$120 a month after a university education and 18 years of experience.

Captain Ponomaryov and his colleague, Lieutenant Roman Fyodorov, are the only two investigators with specialized legal education at this station, which covers 130,000 of Moscow's 10 million people.

They work in a dingy brick building with wrecked cars in the courtyard, one computer for the 180 police officers who work there and three desks in one room for the four investigators.

Lieutenant Fyodorov, 32, who works on economic crimes, shrugs.

"There's no typewriter, no safe for documents," he said. "We have to buy our own carbon paper. There's no place for a private discussion with a witness or a lawyer."

A new building is under construction, adds Captain Ponomaryov, 30.

"They promised to do it very fast, but with these Chechnya events, the budget is empty," he said.

The number of investigators has fallen and caseloads have surged. Eight years ago, investigators had four or five cases at once; now they have 17 or 18.

Given the problems, both men are planning to quit the militia after they qualify for pensions in three years.

"Guys on the outside with our skills earn five times more," Captain Ponomaryov said. "Our morale is O.K., but it's hard to live."

In this district, which is working-class, there are two kinds of crime, said Marina Abalova, a defense lawyer: "The kind committed by the rich, and the kind committed by the poor, and here people are mostly poor."



Members of a Moscow organized-crime police unit arresting a man after they raided a hotel looking for illegal drugs and firearms. Pavel Kasin/The New York Times

But the number of reported murders was the only category of crime in which this capital of some 10 million people outranked New York City, a city of more than 7 million, in 1994. Last year, compared with Moscow, New York had 8.3 times the number of reported rapes and 13.1 times the number of reported assaults.

After having quadrupled between 1988 and 1992, the total of all crime in Russia went down 6 percent last year.

By far the largest number of crimes involve property, but the police are making some inroads, helped by new precautions, like better locks, steel doors and car alarms.

Thefts were down 17 percent, thefts from apartments were down 14 percent and robberies in general were down 19 percent.

In Moscow, rape, assaults, robberies and property crimes were all down last year.

Crime figures in general are viewed with skepticism throughout the world, and some experts on Russian crime, such as Joseph D. Serei of Eurasian Business Services, suggest that Russian statistics are massaged to make them seem better.

Russian officials, like Alexander Birin, director of the Inspection Section of the Investigation Department of the Interior Ministry, reject the notion, while acknowledging that figures were heavily doctored in Soviet days.

"Of course, this creates a problem of perception," Mr. Birin said. "The Soviet days were not as calm as they seemed, and, by comparison, today is not as awful."

Yuri Levada, director of the Center for the Study of Public Opinion, said: "Of course, people are concerned with crime, even more than in past years. But when we do our polls and ask people whether they or any family members have been victims of crime, they tell us, no more — sometimes even less — than in the past. The images of violent crime come mostly from the mass media."

Mr. Levada's polls show that while crime is an important issue, it usually comes after inflation and unemployment in a list of people's greatest concerns.

But people are shocked by the new types of crime, Mr. Levada said.

"Murders tied to racketeering are on the rise, as well as economic crimes involving new economic structures — none of this existed a short time ago," he said.

Alexander Kulikov, deputy interior minister, also acknowledges that new kinds of economic crime are flourishing in the new market economy, giving the police significant difficulties.

The police do not always understand the kinds of fraud, money laundering and other white-collar crimes that were impossible a few years ago and lack the training and computer equipment to pursue them.

Often there is no new law on the books that makes certain activities illegal. Anyone, for example, can register as a hank at any address, with little chance of official oversight.

**T**HE CURRENT criminal code is a much-revised and patched-together document based on a social system that considered private business criminal, and which remains full of contradictory or ambiguous laws. To prove tax evasion, for instance, the police must prove "malicious intent."

Among the new kinds of crime in Moscow have been at least 70 cases of fake banks, which promise high interest but then disappear; fraud with credit cards, which are beginning to hold among the new rich; and "apartment murders."

In an apartment murder, the occupants, usually old people, are pressed into privatizing their apartments and signing them over to strangers, sometimes in return for a promised new apartment in the suburbs. Sometimes

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These are difficult cases, the investigators say, because buyers are told where to find drugs only after they pay. A chet may be taken under a public telephone handset, for instance.

President Boris N. Yeltsin's special decrees on crime, including the right to jail suspects for 30 days without charges, have been little help, investigators say. A warrant is needed

from the prosecutor's office in any case, so it is as easy to get permission to arrest suspects on charges for two months, following the old regulations.

It is not only hard to get all the judges to show up — a judge works with two civilians in this Soviet-style, jury-less system — but the criminal gangs here have banded together, Lieutenant Fyodorov said, adding: "They collect money in a single fund to buy off witnesses and judges in big cases."

Witnesses are often threatened. "Then the witness shows up and suddenly it's, 'I don't know, I don't remember,'" Lieutenant Fyodorov said.

But their poor wages are the main disincentive in their work, Lieutenant Fyodorov said, and can lead officers to corruption.

"Education for your kids in a good school can cost more than my salary," he said. "The pride is still there, but there's a strong sense we're falling behind in life and in status."

— STEVEN ERLANGER

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## Mandela Defends His Order to Kill

formation and kill members of the leadership," he said.

Mr. Mandela said he warned then-President Frederik W. de Klerk and the police about the threat, but no action was taken.

"The surging columns on Shell House, away from the routes to their destination, the shots fired and the fact that the few policemen deployed there decided to run away gave credence to the information we had gathered," he said.

Mr. Mandela said it was in that broad context that he had instructed ANC guards to protect Shell House "even if they had to kill people."

The eight were among at least 55 people killed in and around Johannesburg during violence connected with a march by Zulu supporters of Chief Mangosuthu Buthelezi's Inkatha Freedom Party to oppose the results of the country's first all-race elections a month later.

Mr. Mandela, who has been locked in an increasingly bitter conflict with Chief Buthelezi over the past two months, acknowledged for the first time in the Senate last week that he had given ANC guards the authority to kill Inkatha attackers if necessary.

"Shell House was not a bolt from the blue," he told Parliament on Wednesday.

"Before the march on that day, the ANC had received information that some of the marchers were to be directed to attack Shell House, destroy in-

Middle

away  
From Politics

"We must take ourselves back to the kind of fear all of us lived in that day," she said.

Mr. Mandela has accused Chief Buthelezi, the home affairs minister in the ANC-led government of national unity, of being the main source of violence in Inkatha-ruled Kwa-Zulu-Natal.

"She'll be suspended if she continues to do this," he said.

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## THE AMERICAS

Joyce Liss

## Middle Class and Worried About Medicare

By David E. Rosenbaum  
*New York Times Service*

BRADENTON, Florida — Republicans in Washington to hold down government spending have caused odd tension in this land of middle-class retirees.

On the one hand, the people here, mostly refugees from Midwestern winters, hold firm to the principle of thrift that has guided their own lives, and they believe deeply that the government should balance its books.

On the other hand, they are averse to parting with any of the government benefits that have helped make them self-sufficient in their old age.

From their own experiences, most are convinced that Medicare, which covers a third of all the residents here in Manatee County, just south of Tampa Bay, is rife with fraud, that doctors and hospitals routinely milk the system and that the bureaucrats who run Medicare from Washington are mindless obstacles.

Many also believe the government spends more on foreign aid than it does on Medicare. (In fact, 10 times as much is spent on Medicare.)

And they think that what they are receiving in Social Security retirement benefits and Medicare is no more than what they paid in payroll taxes when they were working.

(In fact, people turning 65 and retir-

ing this year will, on average, get back in seven years of benefits everything they contributed in Social Security taxes plus interest, and they will get four times as much in Medicare benefits over the rest of their lives as they paid into the system.

Given this, it is not surprising that the prevailing view in the retirement communities is that the federal budget can be balanced by controlling abuses, finding efficiencies and cutting spending in ways that will not affect them.

The congressman from Bradenton, Daniel Miller, whose district has the highest proportion of elderly people in Congress, knows otherwise.

A member of both the House Budget and Appropriations committees, Mr. Miller is a stalwart of the Republican revolution and a true believer in the cause of reducing spending and balancing the federal budget.

"There is something very scary about this debt," he said in an interview at his office here.

Mr. Miller suggested that Medicare would have to be completely overhauled to find the savings of almost \$300 billion that Republicans in Congress are contemplating in the program over the next seven years.

His job, he said, reflecting the view of the Republican leadership in Congress, is to find ways to squeeze that money out of the system without adversely affecting his constituents. He described

the task as difficult but not impossible. When Mr. Miller tested this view on his constituents this week, he found them skeptical.

"They're scared," he said later. "They're scared of change."

On Memorial Day, Mr. Miller and Frank Luntz, a Republican pollster who was deeply involved in writing the "Contract With America," met with groups of retirees at a couple of trailer parks here, 2 of the 103 listed under "Mobile Homes-Parks" in the yellow pages of the Bradenton-Sarasota telephone directory.

Here is some of what they found on a steamy afternoon at Fair Lane Acres:

• Many people do not believe official findings that without changes in the system, the trust fund that finances Medicare's hospitalization coverage will be bankrupt by 2002. "The government has been spending out numbers for years," one man said. "You can't believe them."

• The reaction to the idea of health maintenance organizations is generally negative. "You want a qualified doctor," a woman said. "You don't want one you have to take."

• The trailer park crowd would not mind if retirees with incomes over \$30,000 a year had to pay more out of pocket for medical care. But few of those at Fair Lane Acres, it is safe to say, are that affluent. When they were asked if they themselves would be willing to pay more, most said they could not afford it.

At one point, Mr. Luntz asked them what came to mind when they thought of Medicare and doctors.

"Overcharging," said a man at the end of a row.

Mr. Luntz asked him to pass the microphone along.

"Overcharging," said the next person.

"Overcharging," said the next.

"Overcharging also," said the fourth person in the row.

At another point, Mr. Luntz asked whether they were concerned that if nothing changed, Medicare would not be around for their grandchildren.

In response, one person after another told a story of having been overburdened or inconvenienced by Medicare.

"I ask you questions about your grandkids, and you talk about your situation with Medicare," Mr. Luntz complained. "Aren't we all in this together?"

A man answered: "You're saying our grandchildren are going to have to make up the difference. There are other ways of reducing this."

Medicare is hardly the only program in which congressional Republicans are seeking vast savings.

The biggest challenge he faces, Mr. Miller said in the interview, is to make sure that Florida in general and his district in particular get a fair shake when formulas are written that determine how the remaining money gets distributed once the savings are achieved.

"Our challenge," Mr. Archer said Tuesday, beginning the first of three days of hearings into new systems of taxation, "is to do no less than pull the current income tax code out by its roots and throw it away so it can never grow back."

In an interview, Mr. Archer acknowledged that sweeping changes in the tax system were unlikely in the next year or two. But he said his intention was to begin a national debate on the best way to change the system and to have that debate become part of next year's presidential campaign.

Another form of taxation — a flat tax, under which the income of individuals and businesses is taxed at a single, fixed rate — is championed by Representative Richard K. Armey of Texas, the majority leader, and is supported by many of his fellow Republicans in Congress. (NYT)

## Rethinking Immigration

WASHINGTON — Sweeping changes in U.S. immigration policy would slash the number of new admissions but ease the way for spouses and minor children to join legal residents under a plan to be released Wednesday by a congressionally appointed panel.

The proposals by the nine-member Commission on Immigration Reform appointed by Congress will be reviewed later this month by Congress, where many of the Republican members have been pushing for limits.

Senator Alan K. Simpson of Wyoming has proposed legislation for a 25 percent reduction in immigration over the next five years.

The commission's proposal would reduce the annual number of legal immigrants from its current level of 830,000 to 550,000, restrict admission of unskilled workers and impose new fees on employers sponsoring skilled workers in the United States. (AP)

## Terrorism Bill Nears Vote

WASHINGTON — The Senate has made two changes sought by President Bill Clinton to anti-terrorism legislation, and Democrats dropped most of their gun-related amendments, clearing the way for anticipated final passage of the measure.

The legislation began moving slowly toward a Senate vote Tuesday night after Mr. Clinton reversed his position and accepted the Republicans' goal of including in the bill limits on appeals by death row inmates.

The Senate voted Wednesday, 67 to 28, to reject one of several Democratic amendments aimed at tempering the bill's stringent limits on those appeals, which include a one-year limit for death-row inmates to appeal their sentences. The other Democratic provisions were also expected to be defeated. (AP)

## Income Tax Repeal Urged

WASHINGTON — With some prominent Democratic support, the chairman of the House Ways and Means Committee, Representative Bill Archer, Republican of Texas, has opened a political drive that he hopes ultimately will lead to the replacement of the federal income tax with a tax on what people spend.

## Quote Unquote

Mr. Gingrich, who delivered a speech Wednesday to a group from Iowa, where the presidential campaign's first voting takes place next February, and who is scheduled to begin a four-day swing Friday through New Hampshire, site of the nation's first primary, when asked if he was running for president: "No. Now that settles that, right?" (LAT)

Away  
From Politics

• An overnight curfew for children under 17 was given preliminary approval by the District of Columbia Council, imposing fines of up to \$500 on offending parents or guardians. (AP)

• A con man arranged the murder of the candy heiress Helen Brach 18 years ago because she threatened to expose his swindles of rich, lonely widows, a Chicago federal court ruled. Judge Milton Shadur of the U.S. District Court said he would sentence Richard Bailey, 65, to life in prison but withheld final sentencing pending resolution of questions raised by Mr. Bailey's lawyers. (Reuters)

• A con man arranged the murder of the candy heiress Helen Brach 18 years ago because she threatened to expose his swindles of rich, lonely widows, a Chicago federal court ruled. Judge Milton Shadur of the U.S. District Court said he would sentence Richard Bailey, 65, to life in prison but withheld final sentencing pending resolution of questions raised by Mr. Bailey's lawyers. (Reuters)

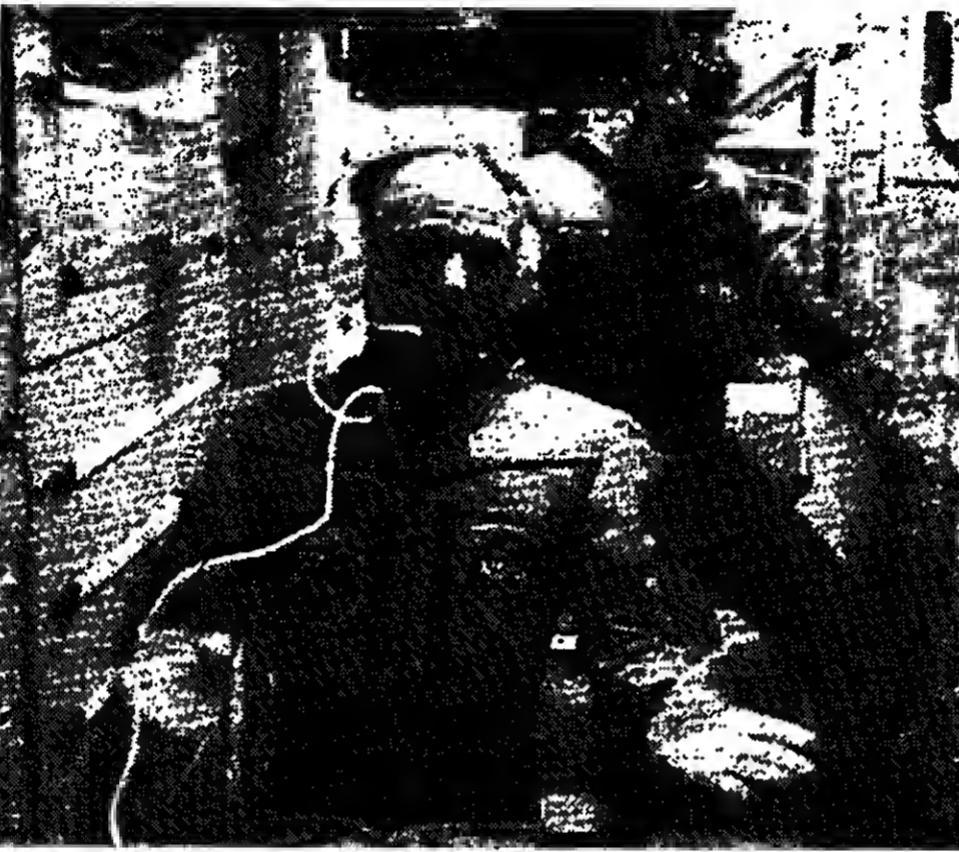
• A New York subway train ran a red light and its emergency brakes failed just before a deadly crash with another train, a safety official said. One person was killed and 54 injured in the crash Monday morning. (AP)

• A proposed \$990,000 settlement of their complaints of sex discrimination is too weak to guarantee protection from unfair treatment, nine female CIA employees say. They plan to appear before a federal judge Friday to ask him to kill the settlement, said Michael Kelley, their attorney. (AP)

• The health of America's youth is going downhill, spurred by violence, pregnancy and drug and alcohol abuse, doctors say in a bleak review of the latest research reported in *The Journal of the American Medical Association*. (AP)

• Two children have died after spending up to 10 hours in a car parked outside a motel in hot weather while their mother, Jennie Bain, 20, met friends for a party, the police said in McMinnville, Tennessee. Dustin Ducker, 1, and his brother, Devon Ducker, almost 2, apparently died of dehydration and suffocation. (AP)

## Safety First as Space Shuttle Goes Private

By Kathy Sawyer  
*Washington Post Service*

The astronaut Norman Thagard, shown in a video image, speaking in a space-to-ground press conference from the orbiting Russian Mir spacecraft after he broke the U.S. space endurance record of 84 days, 1 hour, 16 minutes, set by three Skylab astronauts in 1974.

estimate of the probability of a catastrophic accident, from one in 100

or maybe 120, based on a study conducted by an outside company and being reviewed by space flight veterans.

Since the maiden flight on April 12, 1981, shuttles have completed 68 missions, 43 since the Challenger accident interrupted flights for 32 months.

The new risk estimate takes into account improvements made since 1986 in the design of the solid-fuel rocket boosters, one of which caused the Challenger tragedy, as well as better performance data on the unique, high-risk shuttle main engines and other factors. Mr. O'Connor said. The estimated risk would be cut further, to one accident in 160 flights by 1998. Because of this dual encumbrance,

through improvements in engine design, he said.

Although the number of planned launches will be reduced in 1996 from eight to seven a year, shuttles face a tough schedule of six missions in the next seven months. In late June, Atlantis is to make the first attempt by a shuttle to dock in orbit with the Russian space station Mir.

The shuttle is crucial to the space agency's major undertaking of the next decade — the construction of the space station, which alone calls for 27 flights from 1997 to 2002.

Although it is in many ways a technological marvel, the world's first reusable space plane has always suffered from high costs and high risks. Because of this dual encumbrance,

analysts charge, work on the space frontier remains shut off from broad public participation and support. (NASA estimates

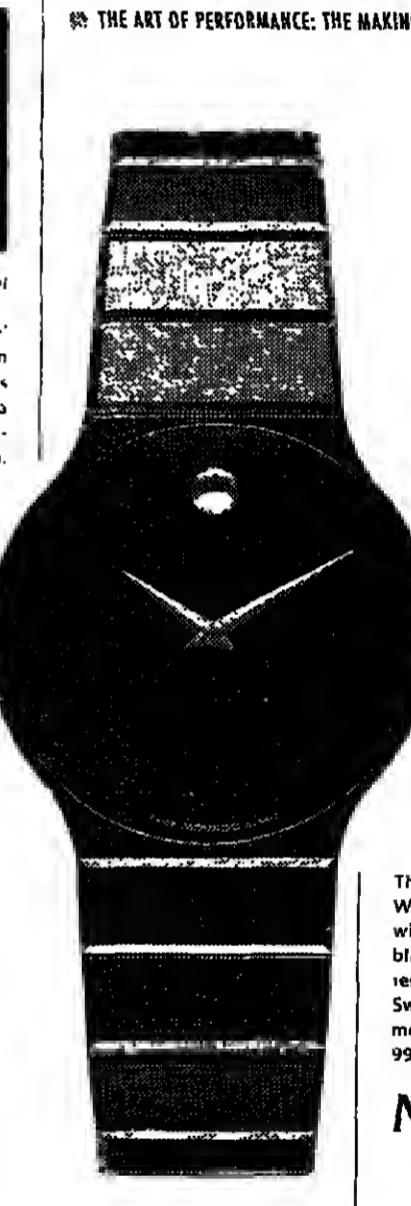
the shuttle's cost for flying one pound to orbit is about \$10,000.)

But attempts to make improvements on one side of the risk-cost equation can be detrimental on the other, managers acknowledged in interviews. They are engaged, they say, in a tense and careful effort to find a practical balance point.

Safety is still the shuttle program's top priority, said Mr. O'Connor, a former astronaut who helped with the investigations after the Challenger accident. But he added that radical restructuring is the only way to achieve the drastic level of cost reduction the White House called for in January.



"We do not know 'time' as numbers," artist Nathan George Horwitz said, "but as the rising sun." Hence, a gold dot at 12 o'clock symbolizes the sun at high noon.



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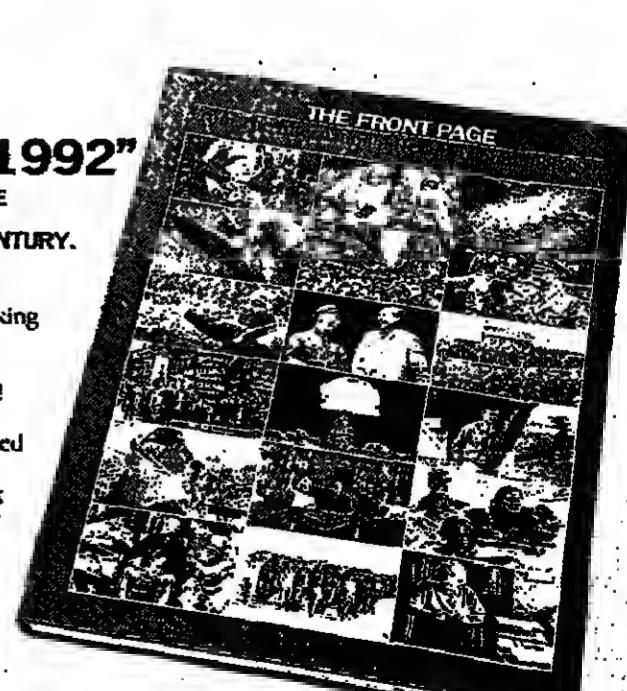
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## ASIA

# Korean Atom Pact Is Said to Be Close

## Progress on Reactor Issue

By Philip Shonan  
New York Times Service

KUALA LUMPUR — The United States and North Korea announced Wednesday that after months of stalemate, they had made significant progress on an agreement intended to end the threat of North Korea acquiring an arsenal of nuclear weapons.

Western diplomats in Malaysia, where the negotiations have taken place, said the North Koreans had backed down and would probably agree to an American demand that they accept nuclear power plants designed and built by South Koreans.

"We have made progress on the key issues," Thomas Hubbard, the chief American negotiator here, said in an interview. "We have not resolved all of them. It's premature to say we have an agreement, but it's accurate to say that we've made progress in that direction."

The North Koreans issued an even more optimistic statement earlier in the day, announcing in Pyongyang, the capital, that "both sides reached agreement in principle on the major issues, such as the choice of the reactor model."

Under an agreement reached last October with the United States, North Korea agreed to forgo a nuclear weapons program and shut down its current atomic energy program in exchange for two new nuclear power plants and other economic aid. But negotiations over how to implement the agreement had broken down over who would design and build the plants.

The United States had demanded that because the South Korean government would be putting up most of the \$4 billion needed to pay for the plants, they should be of a South Korean design and built with the use of South Korean contractors.

Mr. Hubbard said Wednesday that the United States would only sign an agreement "in which South Korean firms play a central role in carrying out the project." He said that remained "the fundamental position" of the U.S. negotiators.

The South Korean light-water reactors produce less plutonium, the essential ingredient in the production of nuclear weapons, than the graphite-moderated reactors that the North had been operating until last year.

While insisting that it had only peaceful intentions for its nuclear power program, the North agreed to shut down the older reactors once the agreement was in place.

American diplomats had said previously that the North's refusal to accept a South Korean design was provoked simply by stubborn national pride — the Communist government of the North did not want power plants designed by its archenemy. But the North had insisted that the South's nuclear designs were unsafe.

According to newspaper reports in South Korea on Wednesday, the North agreed to take the reactors provided by the Korean Peninsula Energy Development Organization — a multinational group headed by the United States, South Korea and Japan — and to accept whatever contractor the organization assigned to the job.

If true, the North Korean concession would virtually guarantee South Korea's central role in the project.

Mr. Hubbard, deputy assistant secretary of state for East Asian and Pacific affairs, would not discuss details of the talks.

"Before reaching agreements, I will be consulting closely with our allies, the Republic of Korea and Japan," he said. The Japanese, alarmed by the possibility of nuclear weapons in North Korea, have agreed to help pay for the reactors.

# To Japan's Critics, 'Remorse' Falls Short of Apology

The Associated Press

HONG KONG — Au Pak Yuen, a Hong Kong schoolteacher, was angry and disappointed.

As Japan's governing coalition wrestled over the text of a statement meant to close the book on Japan's behavior in World War II, Mr. Au had been hopeful it would contain the word "apology."

But Wednesday, he picked through the final wording of the draft statement and found "deep remorse," but no apology.

"Remorse means they're telling us what's in their minds," he said. "An apology reaches out to the offended party. We are not asking what is in the Japanese government's mind. We are asking for an apology."

"It's nothing but pure lip service," said Yoon Mi Hyang, spokeswoman for a group representing South Korean women forced into sexual slavery for Japanese troops.

"We want a clear-cut apology," she said. "The resolution, as it is, is so fuzzily worded that it can be interpreted in several ways."

In an 11-hour compromise late Tuesday night, Japanese politicians settled on a compromise draft that omitted the word "apology" but included a reference to Japan's — and others' — colonialist aggression.

The resolution's key phrase reads: "While



A South Korean veteran shouting anti-Japanese slogans in Seoul protest Wednesday.

# Thirsty for Respect, Taiwan Cheers Its President's Trip to U.S.

By Keith B. Richburg  
Washington Post Service

TAIPEI — Rarely has a private visit by an old student to his alma mater evoked such fanfare, excitement and outrage. But when the traveler is Lee Teng-hui, the president of Taiwan, and his destination is the United States, the trip — though billed as private and unofficial — takes on distinct diplomatic and political overtones.

Mr. Lee's departure Wednesday for alumni weekend events at Cornell University in Ithaca, New York, has raised tensions between China and the United States and marks for Taiwan a bold, symbolic step out of 15 years of international isolation.

Since 1979, when President Jimmy Carter severed diplomatic relations with Taiwan and recognized Beijing as the legitimate government of China, successive U.S. administrations have adhered to a "one China" policy that in effect has meant no official contacts with Taiwan and no chance for a Taiwanese president to set foot on American soil in any capacity.

For the Taiwanese, that isolation has led to slights and humiliations large and small. Taiwanese government officials do visit Washington, but they are not allowed to enter certain federal buildings.

And last year in May, when Mr. Lee made a brief refueling stop in Hawaii en route home from Central America, he was forced to stay on his plane overnight, as the State Department refused him even a transit visa that would allow him to go to a hotel.

But the Clinton administration finally relented and last month granted Mr. Lee a visa to visit Cornell in the face of rising bipartisan pressure from the Republican-controlled Congress.

While State Department officials have insisted the visit is strictly private, it might prove hard to tell that by Mr. Lee's red carpet airport farewell, by the estimated 500 journalists who will provide saturation media coverage of the trip, by the parade of U.S. elected officials lining up to meet him and by the angry reaction from Beijing, which still considers Taiwan a renegade province and has canceled high-

level talks with Washington in protest. What's more, while most Taiwanese make the requisite noises about the visit's private, unofficial nature, they acknowledge that for this wealth island struggling for global recognition and respect, a trip by its president to the United States, however labeled, carries enormous significance.

"We can be seen and heard and not be isolated — this is important," said Jason Hu, a government spokesman who is accompanying Mr. Lee.

"Even more important," he said, "we want people to understand that we do have the need to carry out private visits, and we should not be labeled as carrying out a political agenda."

Mr. Lee has even won rare plaudits from his political opponents, with one recent public-opinion poll showing the vast majority of Taiwanese in favor of the trip.

"This is a very successful event to try to break up the PRC's exclusion of Taiwan from the international arena," said Shih Ming-te, referring to the People's Republic of China. Mr. Shih is an opposition member of Parliament and

chairman of the pro-independence Democratic Progressive Party. "Although the U.S. government will not recognize this as an official visit, as far as Taiwanese are concerned, this is a public, official visit."

Antonio Chiang, publisher of a political magazine called The Journalist, said, "Everybody visits the United States. Gerry Adams from the IRA, Gerry Adams from the IRA, Yasir Arafat visits. Why can't Lee Teng-hui visit?"

For the Taiwanese, their international exclusion has proved even more galling in recent years as they have steadily jettisoned the authoritarian legacy of Chiang Kai-shek, who led the remnants of the defeated Kuomintang army here in 1949.

In its place, the Taiwanese have built one of Asia's most exuberant new democracies.

In the last few years, martial law has been lifted, political prisoners have been freed, opposition parties have become one of the freest and most free-wheeling in Asia.

Indeed, it was the recognition of this

dramatic transformation that prompted the U.S. Congress to vote overwhelmingly in favor of granting Mr. Lee a visa to make the trip to Cornell, where he earned a doctorate in agricultural economics in 1968.

Still, the State Department balked, fearing the predictably adverse reaction from Beijing. And officials in Taiwan said the State Department was continuing to pressure Mr. Lee to make the trip as low-key as possible.

In Taipei, officials and academics said that because of this breakthrough, other foreign trips now look likely as Taiwan continues its efforts to shed its isolation here in 1949.

Mr. Lee, a farmer's son, is also an alumnus of Kyoto University in Japan, and he has let it be known that he would love to visit Tokyo.

## First Stop Los Angeles

Mr. Lee arrived early Wednesday in Los Angeles, Agence France-Presse reported. Reporters were kept at least 300 yards from Mr. Lee, his wife and an accompanying government official, and he made no statement on arrival.

## BRIEFLY ASIA

### Republic Plan Is Prepared In Australia

Agence France-Presse

SYDNEY — The Australian government will hold a referendum in 1998 or 1999 to decide whether Australia should sever its 200-year-old links to the British crown. Prime Minister Paul Keating said Wednesday.

He made the announcement before a major address to the nation in which he will unveil his blueprint for the republic that he wants to create on Jan. 1, 2001.

President Ramos has sent a letter appealing for clemency to President Suleiman ibn Sultan of Nahayan of the United Arab Emirates.

The prosecution contends that since Miss Balabagan stabbed her employer 34 times she had a motive deeper than self-defense, one that amounted to premeditated murder, according to those who attended court proceedings.

If convicted of premeditated murder, Miss Balabagan could face the death penalty.

### 3 More Indicted in Gas Attack

TOKYO — Public prosecutors indicted three more members of a Japanese doomsday cult on Wednesday on murder and attempted murder charges over the nerve gas attack on Tokyo's subways.

Prosecutors said that the three indicted members of Aum Shinrikyo were two chemists, Seiichi Endo, 35, and Masami Tsuchiya, 30, as well as the sect's physician, Tomomasa Nakagawa, 32.

This brought those indicted on murder charges to 10 in the March 20 sarin gas attack, which killed 12 people and poisoned 5,500 others. (Reuters)

### Japan May Cut Loan Interest Rates

TOKYO — Japan may cut interest rates on official loans to developing countries to help ease the increased repayment burden caused by the soaring yen, the Foreign Ministry said Wednesday.

"We want to reach a conclusion as soon as possible," a ministry official said, without giving the size of rate reductions on Japan's official low-interest, yen-denominated loans.

She was commenting on a press report that the rates will be slashed by an average 0.33 percentage points in the current fiscal year. (APF)

### Grumbling on Dalai Lama Backers

HONG KONG — In an unusual admission, a Tibetan official was quoted Wednesday as saying that supporters of the Dalai Lama, Tibet's exiled leader, still troubled Chinese authorities despite crackdowns.

Lousang Tenzin, mayor of the Tibetan capital, Lhasa, said he was not wholly optimistic about the situation in Tibet and blamed the Dalai Lama's supporters for "many unstable factors" in the remote Himalayan region.

The mayor was speaking in a rare interview with Wen Wei Po, a China-funded newspaper in Hong Kong that Beijing often uses as an outlet for news. (AP)

### Americans Play Polemics in Hanoi

HANOI — Americans in Hanoi played out polemics generated by the Vietnam War on Wednesday, reflecting political divisions on the issue in the United States.

Involved in a bizarre minutiae in the Vietnamese capital were an activist who claims Vietnam is still holding U.S. prisoners of war, U.S. military officers, diplomats and veterans of the war, which ended 20 years ago with a Communist victory over the U.S.-backed Saigon regime.

Vietnamese officials flatly denied any American POWs were in captivity, but they otherwise stayed on the sidelines.

The backdrop was a growing U.S. debate over normalizing relations with Vietnam, in which supporters of Hanoi are urging President Bill Clinton to act soon, before the 1996 presidential election campaign starts. (Reuters)

## VOICES From Asia

Kim Young Sam, president of South Korea, after dismissing the head of a state-owned telecommunications company, Cho Park Jae, who was blamed for ineffectively dealing with a weeks-old labor dispute that has threatened to paralyze the company. "Korea Telecom is the nation's central nerve system. The way this incident is handled will demonstrate the government's determination that no illegalities go unpunished." (AP)

Rusdin Mambere, an Indonesian private quoted by the Antara news agency as telling an Indonesian court how, under orders from an officer, he took six bound East Timor civilians who had been captured by a rebel group called the GPK and shot them to death: "I took four GPK prisoners who had been bound together to a river, told them to crouch and shot them. Then I took another two prisoners and eliminated them as well." (APF)

# Manila Will Watch Emirates Murder Trial of Philippine Maid

Agence France-Presse

DUBAI — A Philippine presidential panel that investigated a Philippine maid's execution in Singapore will attend the verdict in another maid's murder trial in the United Arab Emirates, the chairman said

Wednesday. A court in the United Arab Emirates' oasis town of Al Ain is set to rule Saturday on whether Sarah Balabagan, 16, murdered her Emirati employer or killed him in self-defense last July.

She alleged that her employer

had raped her while threatening her with the knife.

"We will appear there in court personally," Emilio Gancayco, the chairman of the commission that hears his name, said in a telephone interview from Jidda.

His commission, set up by President Fidel V. Ramos of the Philippines to investigate Singapore's hanging of Fior Comptacion in March, has been set up to assist in preventing repeat cases as well as to improve the welfare of millions

of overseas Philippine workers. [On Wednesday, Mr. Ramos signed into law a bill aimed at protecting an estimated four million Filipinos working abroad, Reuters reported. The law, prompted by an upsurge of incidents of abuse against Philippine workers in the Middle East, calls for stricter monitoring of policies of labor-importing countries to check whether they have adequate laws to protect migrant workers.]

Mr. Gancayco said that the case was not exactly the same as the one in Singapore but that there were "some similar nuances and implications."

President Ramos has sent a letter appealing for clemency to President Suleiman ibn Sultan of Nahayan of the United Arab Emirates.

The prosecution contends that since Miss Balabagan stabbed her employer 34 times she had a motive deeper than self-defense, one that amounted to premeditated murder, according to those who attended court proceedings.

If convicted of premeditated murder, Miss Balabagan could face the death penalty.

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# Europe's Search for Security

## Will Atlantic Trade Pact Prove It Matters?

By Lawrence Malkin  
International Herald Tribune

**NEW YORK** — Trade policy buzzes with acronyms. After NAFTA, now comes TAFTA, quickly followed by laughter at the idea of a Transatlantic Free Trade Agreement that seems too grandiose for the persistent but hardly dissolving economic quarrels between Europe and the United States.

To the degree that the Europeans advance the idea because they want striking by an administration obsessed by Asia and Latin America and lacking direction in Europe, the Clinton administration sent Secretary of State Warren M. Christopher to Madrid last week to make appropriate noises of trans-Atlantic concern and will continue doing so in forums ranging from NATO to Euro-American chambers of commerce.

To the degree that Europe wants the evolving new security arrangements of the post-Cold War world to have a genuine economic dimension, the administration made it clear in Brussels on May 22 though its trade representative, Mickey Kantor, that it is ready to start discussing specific and detailed issues with the help of "a major and purposeful transatlantic dialogue among our businesses."

That dialogue got started in Washington this week at meetings with European and U.S. business executives convened by a Commerce Department undersecretary, Jeffrey Garten, whose concern represents a 180-degree turn as the architect of the administration's trade promotion policy in what he christened the Big Emerging Markets outside Europe.

The European Commission's trade and industrial directors also were there, as were senior European specialists for Mr. Kantor and Mr. Christopher. They were considering responses to a joint letter sent to American and European business in February by Commerce Secretary Ronald H. Brown and two EC commissioners, Sir Leon Brittan for trade and Martin Bangemann for industry.

Foremost on the agenda for at least 40 percent of the American and European companies, said Frank

Vargo, Mr. Garten's deputy for Europe, was standardizing and clarifying regulations ranging from computer privacy to ketchup labeling. Such standardization is a principal concern of Europe itself as it unites.

The American companies were also concerned about tariffs, especially in high technology and among small companies that do not manufacture in Europe. They also worried about opportunities in Eastern Europe as it draws closer to the EU.

European companies stressed the need for reform of American taxation and regulations that raised burdens to their investments in banking, communications, and other sensitive areas where foreign ownership is

### NEWS ANALYSIS

been thrown up by Congress as a protectionist barrier. The American companies wanted to attack similar public procurement policies in European telecommunications and public utilities.

"All of them wanted more free trade, and especially the Americans in industries which they felt had been left out of the Uruguay round," Mr. Vargo said.

"They didn't care much whether the box had TAFTA written on it, so much as they wanted to be pragmatic about what was inside."

This modest beginning is a long way from what is being taken as a utopian — or at least a 21st century — idea of a free trade area of 700 million people on both sides of the Atlantic that would parallel the North American Free Trade Area.

It first surfaced last autumn in Germany, whose politicians have never lost the Cold War habit of worrying if the United States will desert Europe.

The idea was eagerly seconded by the British conservative government as a trans-Atlantic symbol to mollify its anti-European right wing. Canada would also be ready to seize on joint membership in two free trade areas to bolster investment and exports.

But France is decidedly cool to anything that might dilute its political influence in Europe.

Most important is the

skepticism in Washington, where few in the Republican Congress or the Clinton administration have the stomach for another political fight over free trade while the link with Mexico has yet to prove itself after this year's financial meltdown.

Mr. Christopher's hallyo speech promised only "serious study" of TAFTA.

"In the United States there would be no support for it without free trade in agriculture," said Robert Hormats of Goldman, Sachs & Co. and a former senior trade official.

"In Europe, free trade in agriculture would doom political support."

Such political support as there is comes from the labor unions and their Democratic friends in the congressional minority, who see it as a last chance to force Europe's higher labor and welfare standards on a Republican Congress.

In the current political climate, this is just not on. William Frenzel, a retired Republican congressman who heads the American wing of the Transatlantic Policy Network, agreed that "it is best left to the next generation."

The policy network is the brainchild of William Elles, a British Tory member of the European Parliament, and has been quietly shaping the business agenda now coming to the fore. It is composed of major American and European multinational companies and their representatives in Congress and the European Parliament. Its members met with Mr. Garten and his colleagues on Tuesday.

The American corporate members of the network are Apple Computer, AT&T, Digital Equipment, Johnson & Johnson, Mobil, Morgan Stanley, Motorola, Pfizer, 3M, and Time-Warner.

The Europeans are British Petroleum, ICI, and Rank Xerox of Britain; Germany's Daimler-Benz and VEBA AG; Italy's IRI state holding company; Pechiney and Rhône-Poulenc of France, and the British-Dutch Unilever.

The problem for the Europeans is that they will have to make a decision among themselves what price they want to pay if they want us to join them in some way, and so far they haven't done so," said an American business participant.

For most, on the agenda for at least 40 percent of the American and European companies, said Frank

Forrest, "is the largest combined external trade and investment relationship in the world today.... All told, Europe accounts for almost half the foreign revenues of American firms. Our investment in Europe alone roughly equals that in the rest of the world put together. And since the Berlin Wall fell, the United States has become the top foreign investor in Central and Eastern Europe."

"The long-term objective is the integration of the economies of North America and Europe.... We should undertake a transatlantic economic initiative to multiply trade, investment and jobs on both sides of the ocean. It will make us an even more powerful engine of the global economy."

Thoughtful observers from Europe, Canada and the United States have proposed that we seek a transatlantic Free Trade Agreement.... We too intend to give the serious study it deserves with its considerable potential to form an element of our overall strategy."

## How Christopher Sees Future Ties

International Herald Tribune  
Following are extracts from a speech on charting a trans-Atlantic agenda given by Secretary of State Warren M. Christopher in Madrid:

"In the absence of a single unifying threat, and at a time of understandable focus on domestic concerns, some argue that the ties that bind us are fraying, and that America and Europe will inevitably drift apart."

"I reject that view. From World War II to our strong support for German unification, the United States and Europe have shared a common destiny. But we must not take this relationship for granted. It cannot be sustained by nostalgia."

"Deepening our economic relationship is central to this agenda; it undergirds not only our prosperity but also our security. Although our ties have expanded with the Asia-Pacific region and Latin America, it is important to recall that the United States and Europe en-

joy the largest combined external trade and investment relationship in the world today.... All told, Europe accounts for almost half the foreign revenues of American firms. Our investment in Europe alone roughly equals that in the rest of the world put together. And since the Berlin Wall fell, the United States has become the top foreign investor in Central and Eastern Europe."

"The long-term objective is the integration of the economies of North America and Europe.... We should undertake a transatlantic economic initiative to multiply trade, investment and jobs on both sides of the ocean. It will make us an even more powerful engine of the global economy."

Thoughtful observers from Europe, Canada and the United States have proposed that we seek a transatlantic Free Trade Agreement.... We too intend to give the serious study it deserves with its considerable potential to form an element of our overall strategy."

## EU Officials Are Cool on Pact

But They Support Deepening of Economic Cooperation

By Tom Buerkle  
International Herald Tribune

**BRUSSELS** — European officials discount the prospect of a trans-Atlantic free-trade area anytime soon, but believe economic cooperation must be deepened to keep the United States firmly engaged in Europe.

Europe has warmly welcomed Secretary of State Warren M. Christopher's call last week for a new trans-Atlantic initiative centered on trade and economics, seeing it as insurance against an isolationist turn in America. Those fears have been fuelled in recent weeks by the Clinton administration's waffling over Bosnia, Republican proposals to slash foreign aid and Washington's threatened trade war with Japan, which Europeans fear will undermine the global trading system.

"We are losing part of the traditional constituency of the trans-Atlantic relationship in the United States," a senior German official said, referring to withdrawals that have cut the American troop presence in Europe to less

than one-third of its Cold War levels.

An economic initiative, which Spain hopes to introduce late this year when it holds the European Union's rotating presidency, would seek to use the U.S. and European business communities to establish a post-Cold War relationship in which economics provides the key to security, European officials say.

Already each of the two sides is by far the other's biggest trading and investment partner, with two-way trade and sales by foreign subsidiaries running at more than \$1.7 trillion a year compared with about \$1.1 trillion for trans-Pacific commerce.

The trans-Atlantic relationship is the single most important economic relationship in the world," said Keith Richardson, secretary-general of the European Round-table of senior industrialists.

The economic measures under discussion would initially aim to establish common rules on investment, competition policy and product standards, and remove regulatory obstacles in such areas as telecommunications.

EU and U.S. officials say such moves would not only cut business costs and boost trade across the Atlantic, they also could help set standards for easier trade worldwide.

An agreement would "prepare the ground for the next wave of global liberalization," said Hans Glatz, head of EU affairs at Daimler-Benz AG.

Current plans also call for closer political cooperation in fighting international crime and drug trade and coordinating aid efforts to Eastern Europe, the Middle East and North Africa, but the accent will be firmly on economics and trade, officials say.

The ideas will be discussed on June 14 when President Jacques Chirac of France, which currently holds the EU presidency, and Jacques Santer, the president of the European Commission, meet with President Bill Clinton in Washington. The leaders were expected to call for consultations over the next six months to establish priorities for economic and political cooperation that would be approved at a summit meeting in Madrid in December.

## Designers In Italy Face Charges in Tax Probe

By Celestine Bohlen  
New York Times Service

**ROME** — Prosecuting magistrates in Milan, whose corruption investigations continue to rock Italy, are seeking indictments against top figures in the fashion world, including Giorgio Armani, Gianfranco Ferré and Krizia, on charges that their companies paid kickbacks to tax inspectors.

"In Europe, free trade in agriculture would doom political support."

The charges now go to an examining judge who will decide whether there is enough evidence to put the designers on trial. A similar indictment is being sought against a former prime minister, Silvio Berlusconi, on charges that executives of his Fininvest business empire also gave kickbacks in return for lenient tax audits.

It has been nine months since Milan's high-powered fashion industry — proud purveyors of Italian style and flair — first came under the scrutiny of the elite "Clean Hands" prosecuting team, whose investigations have led to the toppling of Italy's old political structure and continue to unnerve its leading businessmen.

Reacting Wednesday to the news that the case now may go to court, the designers sounded decidedly unrefined.

"It is merely a normal procedure, a formality which must follow its course," said Mariuccia Mandelli, who goes by the name of Krizia.

"I have great faith in the judges and I sincerely await for the matter to be cleared up."

"The news is not a great surprise," said Mr. Armani, whose lawyer last year reported that his client had admitted paying a 100 million lire (now \$60,000) kickback during a tax audit in 1990.

Several designers along with Mr. Berlusconi have argued that the payments were extorted by the state auditors, making the businessmen victims rather than criminals.

Giovanna Mazzetti, editor of *Amica*, a leading women's magazine, said she did not think the scandal would harm the image of Italian fashion or fashion designers around the world.

"These things are disturbing," she said, "but it is not as if they annul or annihilate their creativity."

Also charged is Santo Versace, brother of the designer Gianni Versace, who manages the family business. Altogether, news reports Wednesday said the magistrates have asked for indictments against 25 people, including some tax inspectors.

As the Milan prosecutors probe deeper into Italy's pervasive culture of corruption, their own techniques, and even their own past, have come under close scrutiny. Last week, Antonio Di Pietro, a former magistrate and a national hero for his role in the early Clean Hands investigations, confirmed that he himself is being investigated for using his position to obtain a 120,000 million lire (\$74,000) personal loan in 1992.

## Argentina Ready To Pay Islanders To Quit Falklands

The Associated Press

**LONDON** — Argentina is prepared to offer British-descended families around £500,000 each to quit the disputed Falkland Islands or to accept rule from Buenos Aires, the Argentine foreign minister said Wednesday.

"We say that at a certain juncture monetary compensation, monetary payments may be useful, may be desirable," Foreign Minister Guido Di Tella, visiting London for talks at the Foreign Office, said in a BBC radio interview.

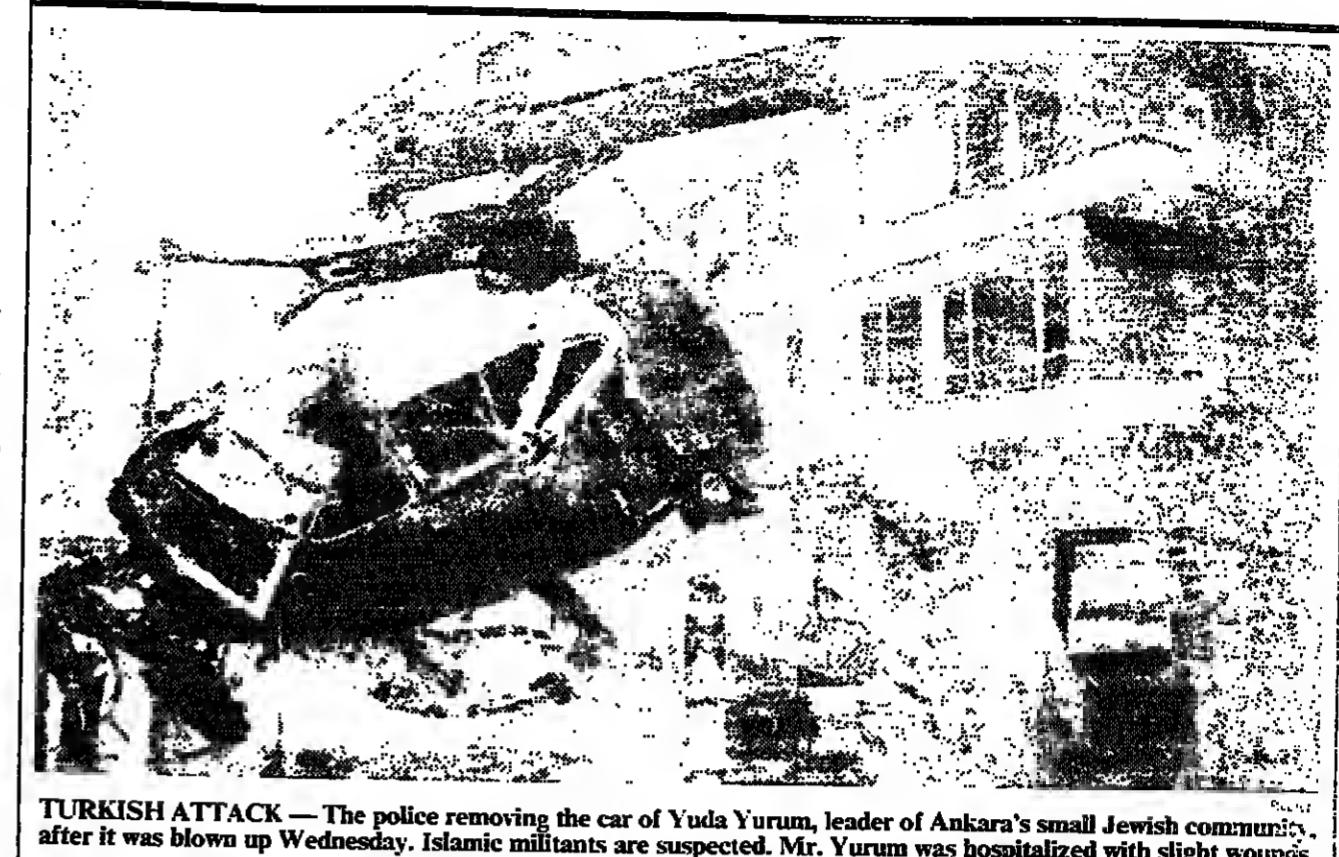
Asked if Argentina would pay £500,000 (\$800,000) for each family, Mr. Di Tella said it was too early to "start haggling now." However, he added, "That sort of money, yes. A very substantial amount. It is made possible because there are very few people."

The Falkland Island Office in London, which represents the interests of the 2,200 people living in the British colony off Argentina's coast, said they would not be bribed into leaving.

## Paris Opéra Is Struck Again

The Associated Press

**PARIS** — A strike by technical staff has forced the Paris Opéra Ballet to cancel the first performance Wednesday night of a new program titled "Nijinska, Nijinsky" hours before the performance. The conflict over salaries and other matters has already canceled seven performances of four operas.



TURKISH ATTACK — The police removing the car of Yuda Yurum, leader of Ankara's small Jewish community, after it was blown up Wednesday. Islamic militants are suspected. Mr. Yurum was hospitalized with slight wounds.

## BRIEFLY EUROPE

### Sweden Eyes Schengen

**STOCKHOLM** — Prime Minister Ingvar Carlsson gave formal notice on Wednesday of Sweden's intention to join the European Union's border-free Schengen group of nations.

The Foreign Ministry's EU specialist, Jan Stom, said that Mr. Carlsson had informed an all-party consultative group on foreign affairs that he intended to apply for observer status with a view to eventual full Schengen membership. (Reuters)

### Britain-in-Europe Drive

**LONDON** — A cross-party group of MPs on Wednesday relaunched the campaign that helped to keep Britain in the European Union 20 years ago, saying they wanted to be ready for any new referendum on the country's place in Europe.

A commission spokesman, Gérard Kiely, said the cheese can be made with Irish cows' milk. He said the Irish produce should also be safe from irate Italians if they claim that only their sun-soaked climate can deliver the white, rubbery halls of cheese.

lion in subsidies for a mozzarella processing plant in Northern Ireland. The £32 million plant is expected to provide 130 jobs in the town of Strabane.

"It is merely a normal procedure, a formality which must follow its course," said Mariuccia Mandelli, who goes by the name of Krizia.

"I have great faith in the judges and I sincerely await for the matter to be cleared up."

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## ÉGOÏSTE

"PLATINUM"

CHANEL

## INTERNATIONAL

# Snipers Resume Sarajevo Siege

## Terror Revisits Weary People

By Roger Cohen  
New York Times Service

SARAJEVO, Bosnia-Herzegovina — After more than three years of war, the lines of sniper fire are pretty well known here. But the Bosnian Serbs recently opened a new one, straight down the central Marshal Tito avenue, and have already displayed their new prowess.

A bullet smashed through the windshield of a white Volkswagen Golf, grazing the driver's eye. Sejla Kritibegovic, 12, watched as the four men in the car crawled out and dashed for cover. A French armored personnel carrier rumbled out to cover the line of fire.

"I'm just waiting for my mummy to get home from work," the blue-eyed girl said in English. "I've seen so many people killed, and I'm so sorry I can do nothing for them."

It was early afternoon, and terror again gripped the people who believed for a time that the worst was over. A woman tried to run as she dragged a cart filled with containers of water; another hitched up her skirt as she dashed for cover; a man dragged some branches to burn as firewood; a Bosnian soldier clutched a guitar in one hand, a rifle in the other.

Muhamed Hramic, a police-

man, watched the mayhem. "We are very tired of this," he said. "My job is not to think. My job is to survive."

Beyond the international politics and diplomacy of the last two weeks, the UN hostages and the downed American plane, those are the facts.

Inside this surrounded European capital, about 300,000 exhausted people — dashing from snipers once again, dreading the shell's echoing boom — are more moved by the steeply rising prices of potatoes and candles than by talk of international rapid reaction forces. A candle now costs four dollars.

The French armored personnel carrier began a shuttle service across the avenue. No body dared cross, unless covered by the vehicle. An old woman tried to run to join one crossing. A French soldier, Thierry Barthége, told her to take it easy, he would wait for her.

"We protect people as much as we can," he said. "But that's about all that's left of our mission. This is total insanity."

The slow-moving vehicle seemed to sum up the utter plight of the UN mission here. The "safe area" of Sarajevo, established last year through a NATO ultimatum, has ceased to exist. The Serbs have taken back all their guns. There are



A worker for an international fire brigade reunites a mother and child in front of a Sarajevo hospital Wednesday.

## BOSNIA: As Shells Rain on Sarajevo, Serbs Release More UN Peacekeepers Taken Hostage

Continued from Page 1  
encircled, mainly Muslim towns, the sanction has proved ineffective because the Serbs have a straightforward reprisal available — the seizure of UN peacekeepers as hostages.

This was well known prior to the latest NATO attacks on an armaments depot near Pale on May 26 and May 27. But Clinton administration offi-

cials, who called strongly for the bombing, apparently believed they could call the Serbs' bluff by continuing to escalate the use of force.

This resolve, however, melted away as soon as UN hostages were shown on television chained to potential targets. Even when an American plane on a routine NATO monitoring mission over Bosnia was shot down by the Serbs a few days

later, there was not even a hint of possible reprisal. It is still not known if the American pilot is alive or dead.

In exchange for the release of the hostages, the Serbs, who hold 70 percent of Bosnia after three years of war, have demanded a formal commitment from NATO and the United Nations that there will be no more air strikes.

NATO and the United Na-

tions have demanded unconditional release of the hostages. But a high-level UN delegation was dispatched Wednesday from Zagreb to Pale. Formally, its mission was to request access for UN aid to cities of Sarajevo, which are surrounded by the Serbs.

But at a time when hostages are still being held, the dispatch of the delegation gave the impression of a less than cast-iron

resolve on the part of the senior UN official here, Yasushi Akashi.

Of the hostages still being held, 13 are French, five British, 12 Canadian and the remaining 23 military observers of various nationalities, UN officials said.

Of the peacekeepers who are confined, 59 are French and 34 Russian.

The United Nations still holds four Serbs in Sarajevo,

who were captured during fighting last month. "They'll be quietly let go when the last United Nations peacekeeper is freed," one Western official said.

Washington. I'm just here to put the wet stuff on the red stuff but tell you, Bosnia has been an eye-opener for me in terms of understanding what my country stands for. This is a European city with a dirt trench around it and Serbian men with guns killing children on a regular basis. And that's O.K."

Kohl Gives PLO \$7.1 Million in Visit to Jericho

JERICHO — Chancellor Helmut Kohl of Germany gave Yasser Arafat, the chairman of the PLO, 10 million Deutsche marks Wednesday during the first visit by a head of government to Jericho since the start of Palestinian self-rule a year ago.

Mr. Kohl is on a weeklong Middle East tour. At a news conference with Mr. Arafat, he said Germany was giving the money, equivalent to \$7.1 million, to the Palestine Liberation Organization as "symbolic assistance" that would be used to strengthen the administration and the administrative frameworks of the Palestinian authorities.

Calling Mr. Arafat "Mr. President," Mr. Kohl said through an interpreter: "I hope that our meeting will produce some benefits to the people in the area, and this is what makes my trip successful."

Mr. Kohl was the first head of government to meet Mr. Arafat in Jericho.

**CANADA:**  
Rightist Wave

Continued from Page 1  
ty of Canada in the West in 1987, giving a voice to regional fears that the national government was spending too much and running the country into debt. His party became the third biggest vote-getter in the 1993 federal elections, which brought Prime Minister Jean Chrétien's Liberal Party to power.

Mr. Chrétien had not run on a belt-tightening platform but in February he proposed one of the most austere budgets Canada had ever seen rather than anger voters by raising taxes.

Last week, poll figures showed that Mr. Chrétien is the most popular prime minister in Canadian history. In the province of Alberta, meanwhile, Premier Ralph Klein, a Conservative, has garnered praise and popularity for making drastic cuts in health and education spending that have balanced the provincial budget ahead of schedule.

In Ontario, particularly in the urban centers of Toronto and Ottawa, such slashes in the social safety net were long considered political anathema. Ontario has been the economic engine of Canada. Its auto and steel factories produce wealth that allowed for the largest welfare payments in the nation while still ensuring prosperity for most workers.

But the recessions of the late 1980s and early 1990s eroded not only Ontario's prosperity but also its economic security, and the willingness to be generous began to evaporate.

Still, for more than two years, Mr. Harris trailed the provincial Liberal leader, Lyn McLeod, in polls that regularly gave her 50 percent or more of the vote for the premiership. Only in the past few weeks has he pulled ahead.

Mr. Rae, the incumbent, is disliked by some for not doing enough to cut Ontario's \$5.5 billion budget deficit and \$70 billion debt and disliked by others for doing too much.

There was no immediate confirmation of Mr. Muharak's remark from Israel or Syria, but Dennis Ross, a U.S. envoy in the Middle East to prepare for a tour by Mr. Christopher, saw the Syrian chief of staff, Lieutenant General Hikmat Shihabi, in Damascus on Tuesday.

**ISRAEL:**  
Self-Rule Talks

Continued from Page 1  
fat's cabinet, said in an interview that Israel still insisted on "creating Palestinian islands" by withdrawing from city centers and controlling all roads in and out.

"They will withdraw from Jenin, putting checkpoints at the entrances of Jenin, and then because of any act or any incident, they will close Jenin," Mr. Husseini said. "But Jenin is dependent on the villages around it. The Israelis must take into account that they are withdrawing from areas and not from cities."

**■ Syrian-Israeli Progress**

Israel, Syria and the Palestinians looked closer to peace on Wednesday with news that the Israeli and Syrian chiefs of staff would meet, and with an unusually cheerful end to a round of Palestinian self-rule talks, Reuters reported from Cairo.

President Hosni Mubarak of Egypt, asked how Syrian-Israeli talks were going, said that the chiefs of staff would meet in the United States at the end of the month.

Israel and Syria agreed last month that military experts would hold talks in Washington, but neither side has said what the level of representation would be.

Israeli and Syrian chiefs of staff last met in Washington in December, before the talks broke down for lack of progress.

There was no immediate confirmation of Mr. Muharak's remark from Israel or Syria, but Dennis Ross, a U.S. envoy in the Middle East to prepare for a tour by Mr. Christopher, saw the Syrian chief of staff, Lieutenant General Hikmat Shihabi, in Damascus on Tuesday.

# White House Goes On the Offensive to Defend Bosnia Policy

Compiled by Our Staff From Dispatches

WASHINGTON — The White House blasted Bob Dole on Wednesday for attacking President Bill Clinton's policy on Bosnia, saying a proposal by the Senate majority leader could bring a "significant involvement" of American forces in the former Yugoslavia.

Michael McCurry, the White House spokesman, also scolded administration officials who have blamed Mr. Clinton's national security adviser, W. Anthony Lake, for the administration's zigzagging policy on Bosnia.

The president of the United States thinks they ought to knock it off," he said.

Mr. McCurry's comments came as the Senate Armed Services Committee opened hearings to examine the administration's policy on Bosnia.

He suggested that the news media examine Mr. Dole's call to end the arms embargo to the Muslim-led government in Bosnia. He said it would probably lead to U.S. forces being involved "on the ground in Bosnia in a much more dramatic and much more dangerous way."

Mr. McCurry said: "The president of the United States has taken an enormous amount of grief over Bosnia policy in the last couple of days. I haven't heard anyone ask those kinds of precise questions of Senator Dole." He added: "He shouldn't be let off the hook."

Mr. Dole, who is seeking the Republican presidential nomination, has said that the Bosnian government should be allowed to acquire the weapons it needs to defend itself against the Bosnian Serbs.

He has said he will offer a resolution in the Senate that would limit any U.S. force in Bosnia to aiding an evacuation of UN peacekeeping troops — and only then under certain conditions.

But Mr. McCurry said: "Europeans in that instance would deliver to us the sole responsibility for the consequences of lifting the arms embargo, including the necessity of training and equipping the Bosnian Muslims. The view of many in the military is that would be

very difficult to achieve without a significant involvement of U.S. forces on the ground in Bosnia."

Told that Mr. Dole contends the United States could leave it to others to equip and train the Bosnian government forces, Mr. McCurry said: "I presume he means we would let Iran do it." He added: "I guess he would prefer to see Iran establish closer military relationship with the Bosnian Muslims."

At the Senate hearing, Defense Secretary William J. Perry said that pulling UN peacekeepers out of Bosnia would lead to a "humanitarian disaster."

With 1,500 U.S. soldiers heading for Italy, Mr. Perry and General John Shalikashvili, chairman of the Joint Chiefs of Staff, faced a battery of questions from skeptical senators anxious to avoid being drawn into war.

"We should be prepared to assist NATO in an emergency extraction of units whose positions had become untenable, to points of safety in Bosnia," Mr. Perry said, trying to clarify the administration's policy.

"But let me be clear on this: The United States will not become UNPROFOR's transportation service," he said, referring to the UN Protection Force.

Senator Strom Thurmond, Republican of South Carolina and chairman of the Armed Services Committee, said: "I hope you will reassure the committee and the American people that we are not being dragged into Bosnia in the wrong way, and for the wrong reasons."

The UN and NATO, Mr. Perry noted, have so far refused to withdraw the peacekeepers or wage war on the Bosnian Serbs. "Either of these choices would have led to a humanitarian disaster," he said.

Meanwhile, the speaker of the House, Newt Gingrich, said the United States could not tolerate UN forces being put at risk in Bosnia and should send a clear signal that it would be "intervene decisively and with massive power" if they are in danger.

(Reuters, AP)

## TRADE: Misjudgment in Car War

Continued from Page 1

generational change in the bureaucracy in Tokyo that has brought in trade hard-liners worried that Japan's 40-year run of surging growth may be over.

In Tokyo, Japanese officials say they underestimated the political importance that the White House placed on proving that it would battle to expand American exports. Both sides agree that another critical element is missing: A back channel to allow straight talk between the political leaders.

In the fractured Japanese government, there is no one left to play that role. The senior politicians who felt indebted to the United States for rebuilding the country after World War II have either been forced from power or retired. In Washington, the State Department — which usually urges caution in trade disputes — has taken a back seat, realizing that these days, economic imperatives trump everything else.

"For the first time, it is really all right for Japan to say 'No,' we're simply not going to give in," said a second Japanese official. "We haven't felt that way before, and there is almost a euphoria about it. But what is missing are the safety valves."

For all their second thoughts, U.S. officials said they would have gone ahead anyway with the threat of the \$5.9 billion in sanctions. But a few conceded to being overoptimistic about how Japan would react to extreme foreign pressure.

Rather than force a fractured Japanese leadership to cave in, as Washington hoped, the sanctions have bolstered the influence of the most confrontational member of the Japanese cabinet, Ryutaro Hashimoto, the minister of international trade and industry.

"He tends to act like a big shot, that is his style," said Tsutomu Hata, a former prime minister and a political opponent of Mr. Hashimoto. "But fundamentally, everyone has to say that he is right on this, and the United States cannot take unilateral action when it doesn't like the results of our trade relations."

What has changed? The U.S. ambassador in Japan, Walter F. Mondale, said he thought that the answer might be found in the rise to power of a new generation of Japanese bureaucrats, who now argue that after decades of leaning toward America, the time has come for Japan to lean back toward the rest of Asia.

But the bureaucrats themselves say the crucial change is that they are no longer prepared to follow the lead of their predecessors, who usually gave in to Washington's pressure as the price for America's guarantees of Japan's security.

G-7: Leak Demystifies the Summit

Continued from Page 1

for the timely publication of key economic and financial data." It also demands that the IMF "insist on full and timely reporting by member countries of a standard set of data," that the IMF also provide "sharper policy advice to all governments and deliver franker messages" to countries that appear to be following bad economic policies.

"Don't underestimate the importance of increasing transparency and making more information available to financial markets," the G-7 official said.

Important as the need to avoid a new Mexican-style financial crisis may be, the contents of the Halifax communiqué also underscore the plodding nature of the G-7 itself.

The G-7, for example, has

prop up the dollar, and the effects of such interventions tend not to last very long.

The G-7 has been divided by disputes among its members. Germany, for example, was angry earlier this year that it was dragged into the Mexican rescue package by Washington, while the Bundesbank has been critical of the U.S. administration's economic policies.

The United States and Japan, meanwhile, remain locked in a bitter trade dispute, with the U.S. threatening \$5.9 billion of punitive tariffs on Japanese cars scheduled to go into effect June 28 if there is no deal before hand.

It was significant, therefore,

that in one part of the draft communiqué — a section titled "Creating opportunities through trade" — there is not even a word, merely a notation that says, "New text to follow."

This section of the draft announcement, officials said, was being held up by the U.S.-Japan trade dispute.

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## EUROPEAN TOPICS

### Germany Struggles To Fill Army Ranks

Growing anti-militarism among young Germans has left the Bundeswehr fighting an increasingly uphill battle to fill its ranks.

"The young people seem to think that military service is a threat," said Bernhard Steimle, director of the recruitment center in Berlin, where the problem is particularly acute.

In all, reports the French daily Libération, 28 percent of German conscripts last year fled for conscientious objector status. And in Berlin, said Matthias Möcke, leader of an anti-military group, nearly half of service-age men try to avoid the military.

Now it is particularly hard to do so. Some 90 percent of young Germans who apply to do civilian rather than military service are allowed to do so. Anti-military groups circulate samples of the sort of letter needed to be accepted for alternative service: "Even

as a child I promised I would never hurt anyone" or "My mother forbade me to play at war."

The "penalty" for selecting civilian service is mild — 15 months' duty instead of 12. Many men opt for this not out of pacifist conviction but for a chance to avoid the rigors of military service while, with luck, remaining closer to home.

But pacifism is a real force.

### Around Europe

Hostility toward Continental Europe is far stronger among the old than among the young in Britain. Only one-fifth of those aged 15 to 24 considered Europe to be a threat rather than an opportunity, while among those aged 55 to 64, 48 percent saw it as a threat. In all, 44 percent of the 1,921 people interviewed last month by the NOP polling organization viewed the European Union as more of an opportunity than a threat, while 35 percent saw it more as a threat.

Four Swedish bookstores have announced a "regret week" policy that will allow clients to return books they have read but disliked. The shops want people to take a chance on books, hopefully to

be pleasantly surprised, the daily Nya Tidning in Uppsala reported. The returned books, which are resold at a reduced price, must be brought back within one week and in good condition.

The Concise Oxford English Dictionary is finally embracing political correctness. Indeed, "political correctness" is among 7,000 new words and phrases included in the latest edition, to be published next month (the dictionary defines it as "the avoidance of forms of expression that exclude, marginalize or insult racial or cultural minorities").

Newly recognized PC words include "ableism" ("discrimination in favor of able-bodied people") and "waitperson" ("used to avoid distinguishing between a waiter or a waitress").

Not everybody is happy about the trend. "The PC words are the ones I really deplore," Michael Plumbe, vice chairman of the Queen's English Society, told The Sunday Telegraph. "They are imposed by a regime that is out of touch with what people really think."

Brian Knowlton

## Iraqi Court Backs Terms Of U.S. Pair

Reuters

BAGHDAD — An Iraqi court said two Americans imprisoned for eight years for entering Iraq illegally should stay in jail, the government newspaper Al Jumhuriya reported Wednesday.

It said the court of cassation had reaffirmed the sentences imposed by a criminal court, which convicted William Barloon, 39, and David Daliberti, 41, of crossing illegally from Kuwait in March.

The judge who originally tried the case told the newspaper that Iraq had no formal appeals court for such instances, but the court of cassation had backed him. He said he expected the Supreme Court to do the same.

The U.S. government insists that the two Americans, both employees of U.S. defense contractors, made a wrong turn across the border and should be freed. There has been no indication so far that Washington would agree to send an official to Baghdad to deal with the Iraqi government.

## Signs of Hope for a Simpson Verdict

By David Margolick  
*New York Times Service*

LOS ANGELES — One of two jurors dismissed from the O.J. Simpson case on Monday has indicated in interviews that virtually every seed of reasonable doubt the defense had tried to plant appears to have germinated in him.

But the sentiments of the juror, Willie P. Cravlin, may also contain good news for Judge Lance A. Ito, the taxpayers of Los Angeles and a culture exhausted by the Simpson case.

Mr. Cravlin has said the jurors, black, white and Hispanic, who were fairly or unfairly the racial flash points on the panel — accusing one another of kicking, stepping on or otherwise disrespecting one another — are gone. Those who remain, he predicted Tuesday, will work together well, and maybe even reach a verdict.

"Mostly all the women have a knitting

circle, and they weren't like that before," he said. "It seems like they all have something in common. That keeps them kind of all on the same wavelength. I don't think there's a lot of racial tensions now."

Mr. Cravlin tried to compliment the prosecutors, saying that they had done a good job. But every time he elaborated, he sounded unimpressed with the case that they have built thus far against Mr. Simpson.

"He was still innocent," Mr. Cravlin said, describing his feelings when he left the case. "Nobody had proven him guilty. There was nothing for him to sweat at that point."

Similarly, Mr. Cravlin expressed some skepticism about defense theories of a police conspiracy to frame Mr. Simpson. But there was also a suggestion that the theories had made an impression on him.

He recounted how the police searched Mr. Simpson's house without a warrant and could not account for all of the DNA tests proved.

blood taken from him or for Detective Mark Fuhrman's whereabouts shortly before finding two crucial bloody gloves.

"There were a lot of things that went on that were questionable," Mr. Cravlin said. "I really haven't come to a conclusion on that matter as of yet, but that was something that I was weighing on my mind."

Just as discouraging for prosecutors, Mr. Cravlin, 54, a postal worker who maintained a grim, even glowering look at the trial, expressed doubts about the cornerstones of the state's case: that rage and jealousy bred in a bad marriage had led Mr. Simpson to kill his former wife and her friend and that the results of DNA tests proved.

Mr. Cravlin seemed to give short shrift to testimony about the Simpsons' marital woes, which the prosecution will soon supplement with additional witnesses. What he had heard did not sound unusual, he said, particularly for a celebrity whose every move is unfairly scrutinized.



Haywood Galbraith/The Associated Press

## U.K. Inquiry Critical on Tory Arms Sales

By Richard W. Stevenson  
*New York Times Service*

LONDON — After spending more than two years investigating Britain's sale of military equipment to Iraq before the Gulf War, an independent judicial panel has found that leaders of the governing Conservative Party misled the public and Parliament about its arms-sales policies, although unknowingly in some cases.

The panel's draft report, portions of which have been leaked to the media over the last two days, said officials right up to former Prime Minister Margaret Thatcher continued to insist that they were strictly adhering to a policy of not selling any equipment that could have military applications to either Iran or Iraq during the late 1980s even as the government was permitting some sales to Iraq.

The report mentions cases in which Prime Minister John Major,

while serving in a lower post, and Mrs. Thatcher signed misleading documents relating to the issue, though it largely excuses them on the grounds that they were not fully aware of the policy shift. Most of the criticism the leaked passages was directed at William Waldegrave, now the agriculture secretary but who was a minister in the Foreign Office during the late 1980s.

Mr. Waldegrave, the report said, misled Parliament by repeatedly stating that the government had retained an even-handed policy against sales to either Iran or Iraq when he was aware that the government had decided to be more flexible in considering sales to Iraq. Mr. Waldegrave denied that he had misled Parliament.

The full report is not expected until the fall, but leaked passages suggested that it could be a political time bomb for Prime Minister John Major.

## BOOKS

### WHAT THEY'RE READING

\* Claude Terrail, owner of La Tour d'Argent in Paris, is reading "Histoires d'amour de l'Histoire de France, Volume 2" by Guy Breton.



"Breton chronicles the unpublished life and loves of General Boulanger and Madame de Bonnemain and of Félix Faure and Madame Steinheil. These intrigues and the scandals are causing me sleepless nights!" (Margaret Kemp, *IHT*)

and noble truth in contrast to the convolutions and contortions of assimilation. But they do not. What and who is a Jew, what constitutes a Jewish identity, is precisely what is up for grabs at present. Rubin is silent here.

He is nearly silent and remarkably insular on an equally basic matter: that of the non-Jews, particularly in the United States, since 1945, who are in fact central to the whole story. Yet they barely appear. Rubin is highly critical of "intermarriage," for example. But he can think of it only as a fact of Jewish history, not as a transforming event in both Jewish and non-Jewish histories.

The book's deepest flaw is the assumption that society and identity are not matters of choice but part of the "natural, sole conceivable order." Only assimilating Jews, Rubin believes, failed to notice this fundamental truth. "And so," he writes in the context of 19th-century Europe, "in contrast to the majority group's members, for whom it was natural, patriotism for assimilating Jews was a manner of choice and, consequently, uncertainty." Thus, for Rubin, as for Moses Hess at the time, the patriotism natural to Jews is Jewish patriotism or Zionism.

This won't do. Patriotism, nationalism, indeed, nations themselves are no more natural than the dynasties and principalities they gradually supplanted or the forms to which the current world of nations is already giving way. Today, it seems, when virtually no one is assimilated, no one content, no one safe, assimilation and its discontents is no longer an exclusively Jewish story.

In this connection, the book's cover is interesting. On it, beneath Rubin's name and the title, which is borrowed from Freud's "Civilization and Its Discontents," there sits, starkly, in lower case, the single word "Jew." Heavy, somehow ominous, this is also manipulative, as if the mere invocation of the word "Jew" or the expression "self-affirming Jew" expressed a simple, basic

ing Berlin, to Philip Roth, Leni Bruce and Woody Allen. Rubin sees the same basic and escapist impulses at work.

His introduction acknowledges "a spectrum of assimilationist solutions," but Rubin doesn't take the idea seriously. As he himself notes a sentence later, "the ultimate result of ongoing assimilation is total assimilation through conversion, intermarriage, or fully entering another nation or ideological framework." It's the "ultimate result," "total assimilation," that holds Rubin's interest — and blinds him to so much.

Anxious because he fears that

assimilationists in America will blithely complete Hitler's effort to make the Jews disappear, Rubin doesn't ever really wrestle with the fluidity and complexity, the surprising motions and the multidirectional circuits of what he aptly but inattentively refers to as "ongoing assimilation." Rubin introduces the awkward but at least pliable notion of "semiassimilated Jews" only in his final chapter and then abruptly and without any discussion. But this notion throws into disarray his entire polemic against total assimilation as the inevitable result of any assimilation, his failure to reflect on it is not surprising. Nor does he have much to say about alternatives to assimilation. References to "self-affirming Jews" recur but seem recurrently vacant since he never really thinks them through.

In this connection, the book's cover is interesting. On it, beneath Rubin's name and the title, which is borrowed from Freud's "Civilization and Its Discontents," there sits, starkly, in lower case, the single word "Jew." Heavy, somehow ominous, this is also manipulative, as if the mere invocation of the word "Jew" or the expression "self-affirming Jew" expressed a simple, basic

player did the best he could by ruffing with the heart ten, but South was in control. He overruffed with the heart king, threw a diamond from dummy on the spade king, and led the heart eight for a finesse against the nine.

East took the ace, and there was no defense. Dummy made the remaining tricks, and Italy gained a slam swing en route to the world title.

In one room, the American North-South stopped in four spades and made an overtrick, which appeared to be a good result. There was a good chance that Italy would bid a slam and fail: six no-trump, six spades and six clubs would all be doomed by a diamond lead.

But Walter Avarelli and Belladonna reached an unlikely contract of six hearts, and that proved unbeatable. Belladonna won the diamond lead in his hand and crossed to the spade ace. He then led three top clubs, putting East to the test. That

NORTH  
♦ A  
Q J 7 5  
♦ 6 5  
♦ A X Q 9 8 4  
WEST  
10 9 5 3  
♦ 8 4  
9 4 2  
♦ K 8 7  
4 7 6 5  
EAST (D)  
♦ A  
Q J 10 9 8  
♦ 7 6 5  
♦ 4 3 2  
SOUTH  
♦ K Q J 7 6 2  
♦ K 8 6  
♦ A 9  
♦ 8 2  
Neither side was vulnerable. The bidding:  
East: South West North  
2 0 Dbl. Pass Pass 3 6.  
Pass 3 ♠ Pass 4 ♦ Pass 5 0.  
Pass 4 N.T. Pass 5 0.  
Pass Pass Pass Pass

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## EDITORIALS/OPINION

# International Herald Tribune

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## Attacking the Cali Cartel

When it comes to feeding the habit of the drug-consuming United States, no foreign supplier has managed to achieve the deadly success of the Colombian-based Cali cartel. America is drenched with a poison called cocaine, 80 percent of which is produced and smuggled into the country by the Cali cartel. That horrific problem is compounded by the cartel's increasing use of murder as a management tool.

In what the U.S. attorney for southern Florida has called "the single most significant prosecution in history against the Cali cartel," a federal indictment was handed up this week in Miami naming 62 people in a broad racketeering case. Among the indicted are three defense attorneys, all of whom were former federal prosecutors. Included among them is Michael Abbett, a local attorney and former top-ranking Justice Department official who once worked in behalf of the United States against the Cali cartel.

The indictment charges these lawyers with a host of crimes not usually associated with officers of the court, especially former federal prosecutors. One former assistant U.S. attorney in Florida has already pleaded guilty to money laundering. The others face charges that run the gamut from drug conspiracy and racketeering to obstruction of justice.

A devastating charge, if proven true.

—THE WASHINGTON POST.

## The Takeover in Chicago

Henry Cisneros, the U.S. secretary of housing and urban development, has assumed control of Chicago's public housing authority and announced ambitious plans for revitalizing the most dangerous and disreputable public housing system in the country. The takeover, the largest yet by the federal government, marks a significant test for Mr. Cisneros and his department.

Known for its violent housing projects and intractable bureaucracy, the Chicago Housing Authority has defeated its recent chairman, Vincent Lane, an earnest reformer with limited management skills. Mr. Lane's efforts to reshape the Housing Authority made so many enemies that he was given a police escort and a bulletproof vest. The takeover came just after he and the authority's board resigned en masse, imploring the government to lend its muscle to the problem.

Chicago's violent islands of poverty did not come into being by accident. As the columnist Mike Royko points out in "Boss," his biography of former Mayor Richard J. Daley, the projects sprang directly from City Hall's active resistance to integration. "Containing the Negro was unspoken city policy," Mr. Royko writes. "Even expressways were planned as man-made barriers ... ghetto walls." Mayor Daley didn't invent the strategy, but some would say he perfected it.

Plans for scattered public housing outside the ghetto were quietly scuttled. In-

—THE NEW YORK TIMES.

## Disabled Children in Danger

The U.S. Senate will soon decide whether to follow the lead of the House and slash aid for disabled children. Republican leaders in the House and Senate charge that the Supplemental Security Income program — which provides up to about \$450 a month for disabled children from poor families — is riddled with abuse. They propose stiffer requirements that could drive out nearly 300,000 of the 900,000 children who are currently enrolled.

Accusations that the program pays cash to children not in need are based on anecdotes that tell of parents coaching their children to fake mental disabilities. But a study by the nonpartisan General Accounting Office has uncovered no systematic abuse. Eligibility rules could be tightened to eliminate mistakes. But there is no justification for widespread evictions.

The Republican backlash against the program has been triggered by soaring enrollment since 1990.

Some of the increase can be traced to a Supreme Court decision that sensibly eased eligibility standards. The government had in effect based eligibility solely on a checklist of severe physical and mental conditions. But such a checklist could exclude children whose disabilities, though just as impairing, were due to a combination of less severe problems. A dysfunctional child with very low IQ (but not meeting the criteria for retarded) and diabetes (but not recently hospitalized) and partial paralysis (but not bound to a wheelchair) could be ineligible because no one condition was on the government's checklist of severe disabilities. The court insisted that the government assess each applicant's ability to function.

The House-passed bill would eliminate almost all cash assistance on the unwarranted assumption that disabled children

—THE NEW YORK TIMES.



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## Internationalism as a Complement to Nationalism

By Ronald Steel

This is the second of two articles.

**L**OS ANGELES — The unrestricted movement of money and jobs does not benefit all nations equally. There are winners and losers. In relations with its Cold War allies, like Japan, the United States has been a loser. The people of strong nations do not like to be losers, even in the name of internationalism.

Nor does every country that sings the praises of the market play by the rules. The United States sucks in goods from all over the world — even at the cost of throwing Americans out of jobs — on the ground that Americans have a right to buy whatever they please at the cheapest price.

The Japanese, however, while profiting from America's open doors, are opposed to opening theirs — as is indicated by the current impasse over Japanese barriers to U.S. auto parts. The Japanese believe in production, not consumption; in full employment, not cheap imports. They like America's rules as exporters, but play by their own as importers.

If economists do not mind the loss of blue-collar jobs, the so-called redundant workers do. Falling incomes and insecurity provoke tension and bitterness. When people feel disenfranchised and disempowered, when there are ever-fewer jobs for blue-collar workers, when factory workers are forced to flip hamburgers to pay the bills, they will make their anger felt. They will do this at the polls, or even violently.

The nation-state, for all the crimes com-

mitted in its name, is still the primary source of loyalty for most people. Although there is an international market and the rudiments of what could be called a global culture, there is no such thing as an international loyalty. No one gets a lump in his throat standing before the blue-and-white United Nations flag.

Those who call themselves internationalists have not fully faced the problem of linking domestic needs to presumed foreign policy interests. They seem to assume that the Cold War consensus — which called for the dominance of foreign policy over domestic policy — can be carried over into a totally different era. The most vociferous of the internationalists say that Americans must take sides in a Balkan civil war to show that they are good internationalists. They casually dismiss their critics as "isolationists," hoping that the epithet alone will send them scurrying for cover.

That accusation is not only hyperbolic but ineffectual. There is no serious support for isolationism in America, and has been none for 50 years. There is unlikely to be any unless foreign policy elites succeed by seeming to sacrifice domestic concerns to foreign policy objectives, in making internationalism appear hostile to U.S. interests.

Economic, political and cultural engagement with the world is not a choice for the

United States. It is a simple reality. But it is not the only force at play. While in one sense the world is becoming smaller and more integrated, it is also growing more divided. Traditional cultural and economic barriers, particularly among trained and privileged elites, are being eroded.

Yet there is also a reversion to earlier patterns of international life, regional coalitions, power balances, spheres of influence and conflicts among tribes and faiths. The fragmentation of what recently seemed a politically stable, if divided, world is a hallmark of our times.

If internationalism is to command support it must be not as an alternative to nationalism, but as a supplement to it. Peoples will not switch their loyalties from the nation-states with which they identify to international organizations they cannot control and view as hostile to their interests. Internationalism can marshal respect only if it is seen as a way of achieving, or at least improving, national objectives.

Those objectives are not what they were during the Cold War. The American public cannot be expected to continue to permit Cold War allies such as Japan and South Korea, or anti-Soviet partners of convenience such as China, to decimate America's own industrial base in the name of a free trade internationalism that those countries themselves do not practice. A nation that is unwilling or unable to protect its own workers because it is shackled to such

intellectual abstractions as open markets and the unrestricted export of money and jobs, is a nation doomed to internal strife and second-class status.

An enlightened American nationalism will put a higher priority on the protection of American jobs than on helping corporations move their factories abroad in pursuit of cheap labor. It will not plunge the United States into distant wars it does not understand and cannot resolve, and where its own interests are not involved. It will also stop providing free military protection for its economic rivals in order to maintain the illusion that it thereby preserves its status as "superpower." There is a more accurate description for that role: unpaid security guard.

Internationalism should not be viewed like charity, as a badge of good intentions. Nor is it, like empathy, an absolute good in itself. It is simply a method to advance the interests of people organized into national societies under particular circumstances. Where it does this it will be embraced. Where it does not, all the pious proclamations in the world will not save it.

The writer, a professor of international relations at the University of Southern California, is author of "Temptations of a Superpower." A longer version of this article, which was excerpted by The Washington Post, will appear in World Policy Journal.

## Clinton in the Soup: The Painful Folly of U.S. Policy-Making

By William Pfaff

**P**ARIS — The current conduct of America's foreign relations recalls the battle scene in the Marx Brothers' "Duck Soup" — everyone firing in a different direction, reappearing in each cut in a different uniform.

President Bill Clinton makes a convincing Zeppe, the superstitious juvenile, and Newt Gingrich can be cast as Groucho, purveyor of crazed schemes. I see Jimmy

*It might almost be funny if it weren't so deadly serious.*

Carter as Harpo and Mickey Kantor as the deal-cutting Chico. Jesse Helms could play the brothers' auxiliary, Edgar Buchanan, master of the "slow burn."

Each of these characters controls a part of America's foreign policy. Senator Helms seems in charge of the State Department itself, while the Republican majority in Congress decides what countries the United States recognizes, where the embassies are to be located, and who is to be boycotted or appeased.

Henry Kissinger wants a new trans-Atlantic alliance of the United States with Britain and Ger-

many, accompanied by a free-trade zone encompassing the European Union and the North American Free Trade Agreement.

Dean Acheson's biographer, James Chace argues that a new global economic strategy must be linked to security strategy, just as the postwar Bretton Woods agreements paralleled the security structure being built up in NATO. He favors a trans-Atlantic trade alliance, with Japan associated, and an eventual global trading union and world currency. Canada's government already has proposed a trans-Atlantic free-trade zone.

I do not myself think any of this feasible in the foreseeable future, and am skeptical in particular of the practicality or even desirability of trans-Atlantic or globalized trading systems and internationalized currencies. It will be achievement enough if Europe can agree on a single currency.

These contradictory proposals seem to me evidence that the United States will actually continue along its present course, which is unilateral to pursue a narrowly conceived national advantage. This is what it already is doing

with respect to Japan, Bosnia, Russia, Iran, Iraq, Israel, and Mexico — the current objects of Washington's fitful attentions. This appears domestic political pressures and can produce short-term results, which is what the public is conditioned to expect.

The long-term consequences are another matter, but like the deficit, can be shifted onward to the nation's children. The thrust of this policy (by default) tends naturally toward isolationism and to America's isolation, to the extent that national isolation is possible in a world of interacting economies, markets and communications.

U.S. initiatives in recent months fit this pattern. Washington's panic about North Korea's nuclear ambitions, insistence upon ongoing sanctions on Iraq, and demand for a trade embargo on Iran, have all failed, while provoking much irritation abroad. Its unilateral trade reprisals against Japan and unilateral negotiations with Russia (to which even Britain objected) over NATO's expansion, at the same time, congressional calls were heard to vitiate that expansion by stripping from NATO membership its present guarantee of automatic mutual

defense, have demonstrated a search for real or imagined advantage in disregard of everyone else. So, of course, has its veto of UN objections to Israel's expropriation of Arab land in Jerusalem.

All this has been disruptive of alliance relations, and no one in the administration or Congress seems really to care. This, I fear, is going to continue, whether Mr. Clinton succeeds himself or is replaced by any of the leading Republican candidates for his job.

It leads us back toward the emotional and political isolation of the United States in the 1920s and 1930s, but adds something. It provokes hostility. America is increasingly regarded by its allies as something of a menace — at best as erratic and irresponsible.

The recommendations of Ronald Steel, Henry Kissinger, James Chace, and others, all assume a continuing American capacity for large visions, disinterested action, and generosity. None of these qualities are evident on the political scene today, nor do they look like arriving with any new administration.

International Herald Tribune.

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## The Bosnians Aside, You Simply Don't Abandon Your Allies

By Thomas L. Friedman

**L**ONDON — On the eve of the Gulf War, I was a reporter on Secretary of State James Baker's last trip to line up allies to fight Iraq. His last stop was London. As we were waiting to board the secretary's plane at Heathrow Airport, I fell into conversation with a British policeman. He asked me: "So, who's going to fight?" And before I could answer, the policeman answered his own question: "I guess in the end it will be us."

That conversation always stuck in my mind. I could never imagine having such a talk with a German or Japanese or Russian policeman, or a Japanese or Russian policeman,

but it seemed perfectly natural in London. It was just understood that we were allies and in the crunch allies count on allies and the Gulf War was such a crunch.

I've been thinking about that conversation as I have watched from London the shameful way the Clinton administration and the Republican-led Congress have been dealing with America's allies over Bosnia.

U.S. officials say that dating back to the Bush administration, Washington, privately, has made it clear to Britain and France that if they ever really find themselves in trouble in Bosnia, the United States will help them out — as allies do. And that is why President Bill

Clinton's flip-flopping on these commitments is so damaging.

First Mr. Clinton declared that U.S. troops would be ready to help America's allies redeploy their forces in Bosnia to more defensible and strengthened positions — if they requested such temporary help. In the face of a Republican-led outcry, Mr. Clinton "clarified" that what he really meant was that U.S. troops could only be used for an "emergency extraction" of allied forces and that he would consult Congress before acting. You can imagine how reassuring it is for America's allies to know that if their troops are trapped in Bosnia, Bill Clinton will be happy to help rescue them, provided that he first gets the permission of Senator Jesse Helms.

No wonder The Times of London thundered in its Monday editorial that while Mr. Clinton's initial offer showed that he was "now genuinely worried about appearing to leave America's close allies in the lurch in Bosnia, as so often with this most changeable of presidents, his latest wisps of resolve evaporated halfway down Pennsylvania Avenue, blown away by congressional muttering."

Ronald Seitz, recently retired as U.S. ambassador to Britain, said that this "conveys to the Europeans that this administration is utterly unreliable and adolescent. Sure, it has to take domestic pol-

itics into account. But the real test is taking those domestic pressures into account and still finding some room for your allies, because you will be asking them to do the same for you one day."

Here the Republicans are also to blame. They have deliberately and cynically blown out of all proportion the president's initial offer to temporarily deploy U.S. troops to Bosnia to help repository or extract the allies. But what is sad is that Mr. Clinton, instead of taking on his critics, ran for cover.

I don't give two cents about Bosnia. Not two cents. The people there have brought on their own troubles. But I do feel loyalty to the allies who have put their own troops into harm's way to try to limit the human suffering there.

The Bosnians will come and go, but good friends whom Americans can count on for solving problems that really do involve the U.S. national interest are hard to find. You don't tell your friends that if they get stuck in the Balkans quagmire we will hold a congressional debate about rescuing them. You tell them only one thing: "We'll help get you out. You can count on us."

Anyone who thinks that the American people wouldn't respond favorably to that kind of leadership doesn't know the American people.

The New York Times.

## Basketball, America's New Passion

By Jim Hoagland

**W**ASHINGTON — Cher Philippe: Sorry to be slow answering your letter. I'll fill you in on Newt, Bill, the reaction here to your election. Jacques Chirac as your new president, and the rest, another time. Those things are not on my screen right now. On my screen right now is basketball.

Le basket? I hear you asking in astonishment, horror or both. Well, yes. I should perhaps apologize: After all, for years I told you that a leading Americanologist like you had to understand basketball, *le passe-temps national*, to really understand American character and temperament. But things change. Philippe, things change.

Pay attention as I introduce you to the post-Cold War, post-baseball world of America.

Le background: This week the Houston Rockets (*les Fous d'Houston*) battle the Orlando Magic (*la Magie d'Orlando*) for the National Basketball Association title. Their best-of-seven showdown crowns a set of playoff games as exciting, emotional and volatile as any sporting championship I can remember. Led by agile 7-foot giants, these teams have conquered Chicago's Trailblazers, Indiana's Pacers, les Eperons of San Antonio and other worthy challengers.

Timing is everything, in basketball as in journalism and love. The whirlwind of constant reversals of fortune, the rollercoaster of passions and loyalties, the ability of a brilliant player like Michael Jordan or Reggie Miller to rewrite in seconds a script seemingly carved in stone — these combine to make professional basketball a sporting metaphor for the unpredictable, fragmented and rapidly shifting world we now inhabit.

## OPINION/LETTERS



## Rules for the 1996 Moral Debate

By E.J. Dionne Jr.

**WASHINGTON** — That was strong stuff from Bob Dole about Hollywood last week. "Those who cultivate moral confusion for profit should understand this: We will name their names and shame them as they deserve to be shamed," he declared.

Specifically going after the executives of Time Warner, Mr. Dole, the Senate majority leader, offered this powerful marriage of Cotton Mather's morals and Ralph Nader's economics: "You have sold your souls," he said, "but must you debase our nation and threaten our children for the sake of corporate profits?"

It is refreshing to hear a politician speaking eloquently about a serious issue; and this one is. In the case of Time Warner, the senator was jumping on a bandwagon that was already rolling, thanks to the work of former Education Secretary William Bennett and C. Dolores Tucker, the head of the National Political Congress of Black Women and a longtime Democratic Party activist.

Mr. Bennett and Ms. Tucker had targeted some of the company's rap music line, and they picked a very good target. To call the lyrics in question disgusting is way too mild. It is not just the obscene words, either; or the explicit sexuality. Mr. Bennett and Ms. Tucker are going after "songs" that degrade women and glorify rape, brutality and violence. Neither of them is talking about government censorship. Mr. Bennett explicitly acknowledges the right of people to say and publish awful things. He and Ms. Tucker are simply suggesting that corporate executives should think twice before foisting trash on the marketplace. Ms. Tucker's involvement is a reminder to liberals that concerns about the coarsening of the culture are not confined to the religious right. "African American women," she told Newsweek magazine, "got tired of their children calling them 'hos, bitches and sluts.'"

But when a moral issue crosses over from being the object of a bipartisan citizens' campaign to being a major tactical move in a presidential campaign, certain questions arise. It was striking, for example, that Mr. Dole's cam-

paign staff had a lot of survey data at the ready to explain why this was such a brilliant ploy. From polling and focus groups, Dole advisers knew the potency of the attack, and to draw additional attention, they beefed up the specifics, Dan Balow and Thomas Edsall reported in The Washington Post.

Mr. Dole is hardly the first candidate to conduct polls testing the impact of "themes" and "messages." Nor is he the first to have aides eager to explain the calculations that went into what on its face looked like a principled stand. But learning these things does take something away from a statement steeped in moral rectitude.

There is also the issue raised by Phil Kuntz in The Wall Street Journal: that the bulk of Mr. Dole's attacks happen to be big-time Democrats — and large contributors to the Democratic Party. Mr. Dole also went out of his way to praise a movie called "True Lies" as "friendly to the family." As Mr. Kuntz noted, "True Lies" was produced by a studio controlled by Rupert Murdoch, a key Republican ally. Yet the movie includes a striptease scene that has been widely criticized as degrading to women.

The moral issues Mr. Dole raised in his speech are serious and worth talking about. But politicians who want to get into the moral argument had better be in it for more than quick hits. Politicians also have to be consistent about the broader issues involved in criticizing someone else's use of free speech. Can someone please explain to me if there is any objective difference between Gordon Liddy talking about how to shoot an agent of the Bureau of Alcohol, Tobacco and Firearms, and a "gangsta" rapper who talks about shooting a cop? If you speak out against one, should you not speak out against the other?

The most powerful form of moral witness is when people speak out against what are perceived to be their own interests and predispositions — when conservatives criticize Mr. Liddy and liberals criticize rap lyrics, when Democrats criticize Time Warner and Repub-

licans criticize Rupert Murdoch. If a big moral debate is destined to be part of the 1996 campaign, that is the test to apply. The rest you can write off as coming out of the polling and focus groups.

*The Washington Post*

## Foolishly Abridging the Verse on the Airport Wall

By Stephen Jay Gould

CAMBRIDGE, Massachusetts — Arriving home from Europe, I noticed a large granite plaque in the International Arrivals Building of John F. Kennedy Airport.

As a welcome testimony to continuity between older and modern means of immigration, the plaque carries, in large gold letters, the words of

## MEANWHILE

Emma Lazarus's famous poem, "The New Colossus," inscribed on the Statue of Liberty:

*Give me your tired, your poor,  
Your huddled masses yearning to  
breathe free...  
Send these, the homeless, tempest-  
tossed to me:  
I lift my lamp beside the golden  
door.*

Now I am a member of the last generation of New York City children schooled in the discipline of rote memorization. We all learned the poem — and who can forget a drill engraved into the brain at age 9 or 10?

So I knew that something was missing — as the three dots indicated hopefully enough.

I scanned my mental file and came up with the missing material — not a raft of words excusably omitted for lack of space but one single line, with all the room in the world for it: The wretched refuse of your teeming shore.

Reinsen the absent line, and the poem

has balance. Only now does it rhyme and scan properly. More vitally, it now represents what Emma Lazarus wrote — for posterity.

The language police triumph, and integrity bleeds. We may call people "homeless" and "tempest-tossed," but they may not be, even with poetic license, "wretched refuse."

Did these particular police ever hear of metaphor?

Did they consider that the poet might have been describing the attitudes of ruling classes in foreign lands toward their potential emigrants? Play it safe and destroy poetry.

At La Guardia Airport, in the wonderful Art Deco Marine Air Terminal, which now houses the Delta shuttle but was once the home of Pan America's fabled flying boats, a stunning mural stretches a full 360 degrees around the inner wall of the rotunda.

Titled "Flight," and painted in the early 1940s by James Brooks, under the auspices of the New York City Works Progress Administration Art Project, this mural treats the history of human aviation — from the early failure of Icarus, through the unworkable dreams and schemes of Leonardo, to modern aircraft.

The mural is quite apolitical — beyond its message of progressive technology triumphant — but many of the

figures are depicted as strong and muscular workers, following a tradition of the time, and admittedly in tune with a genre that usually carried leftist political messages.

In 1952, in the midst of McCarthyite hysteria, the thought police decided that the mural was "socialist." Ironically, they were most offended by a large figure of a man with his head in the clouds. But the figure is a priest, or at least friendly to religion.

The description, currently posted in the terminal, reads:

"The large central figure, who stands contemplating the heavens through a circular cut in the ceiling, swings in one hand a censor, indicating the religious origin of man's early thoughts of flight."

With the other hand, he draws designs of flying machines. Nevertheless, the mural was once obliterated by a layer of plain gray wall paint.

This tale has a happy ending. In 1977, De Witt Wallace and Laurence Rockefeller put up funds, with the support of the Port Authority, to uncover the mural, which had been sealed before over-painting.

James Brooks, in his 80s, rejoiced in the restoration — and we may all enjoy his fine work today.

Two tales, two airports. The best of times and stories — and the worst. A happy restoration and a silly censoring.

The real McCarthyism, in its brutality, ruined lives and careers.

Modern "political correctness," in its purity, feels like the farce after the tragedy — as Marx defined the path of history in contrasting Napoleon III with the original.

Perhaps, then, we should only laugh at the harmless nonsense of a line censored, while we rejoice in the resto-

**The language police triumphed over 'wretched refuse.' Did these particular police ever hear of metaphor?**

ration of art both cruelly and mindlessly effaced. But we should respect arguments about thin edges of wedges.

If any issue should unite liberals and conservatives, anyone who cares about the integrity of human achievement or respect for human accomplishment, may we not all pledge to avoid the silly censoring that can lead to a codification of Orwell's Newspeak?

Consider John Milton's reasons for why good arguments are often lost: "For want of words, no doubt, or lack of breath!"

*The writer is professor of zoology at Harvard University. He contributed this comment to The New York Times.*

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WK ED 102

## LETTERS TO THE EDITOR

## A Search in Chechnya

I have just returned from five weeks in Russia searching for Fred Cuny. He is one of Chechnya's great friends and one of the preeminent humanitarian emergency experts in the world. He was trying to aid the victims of the brutal Russian advance in Chechnya. He was also telling the story of the civilian suffering in Grozny to the outside world. In early April, he disappeared in Chechnya with his Russian interpreter and two Russian Red Cross doctors.

After spending more than a month in the Caucasus, I still don't know what happened to Fred, but I have not given up. Others do know; some of them are Chechens and some are Russians. President Bill Clinton engaged the help of President Boris Yeltsin, but the field, this promise has not been kept. The FSB, the successor to the KGB, is — predictably — blaming the Chechens for his disappearance. Originally, a Chechen commander does appear to have arrested Fred and his colleagues — perhaps produced by misinformation about Fred's intentions. After that, the trail becomes murky.

Unless more is done by all parties, Fred Cuny will become the Raoul Wallenberg of our time, poisoning Russia's relations with the world and casting a pall over hopes for a new and democratic Russia. Let us put into place an independent, outside investigation to work with the Russians and the Chechens. This investigation should have the cooperation of both sides at

MARC D. EMORY  
Disseldorf.

## The Help of a Friend

During World War II, my parents, brothers and sisters befriended an American soldier stationed in our village of Bradninch, near Exeter. Now, after 50 years of peace in Europe, we would like him to know that his friendship has not been forgotten. All we know is his name, John A. Reisenauer, and that he came from Middle Village, New York, and had brothers and a sister named Elsie. We would like to give him a message of gratitude and thanks for those months of friendship. Through the help of men like him we have been able to enjoy peace.

Mrs. CONNIE ROOKES,  
Nee Edworthy,  
Pinhoe, England.

## Widespread Irritation

The report titled "8 Billion Cigarettes Recalled by Maker" (IHT, May 29) states that a contaminant in the cigarettes' filters "may cause eye, nose and throat irritation, dizziness, coughing or wheezing." I fail to understand in what respect this distinguishes the "contaminated" cigarettes from any other cigarettes.

MARC D. EMORY.  
Disseldorf.

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## HEALTH/SCIENCE

## Genetic Clue in Case Of Toulouse-Lautrec

By Natalie Angier  
New York Times Service

**N**EW YORK — Doctors, like anyone else, cannot help being fascinated by the sorrows and afflictions of the famous, and nothing can give a rare disease more cachet than to link it to one of history's luminaries.

Perhaps the most celebrated dwarf of all times was Henri de Toulouse-Lautrec, the exuberant portraitist of cabaret dancers and prostitutes and gleeful caricaturist of social pretense, as well as of his own less-than-fitting appearance. But there are many different routes to stunted stature, and the question that has piqued scientific curiosity since the painter's death in 1901 is, what dwarved Toulouse-Lautrec?

In 1962, two French doctors first described a type of inherited skeletal abnormality they called pycnodysostosis, and they assured that their announcement would win wide attention by arguing that this was the malady of France's most beloved poster boy. Yet because the painter's family would not allow his remains to be dug up to make a definitive diagnosis, the theory has been disputed.

Now, two papers in the current issue of the journal *Nature Genetics*, as well as an accompanying historical commentary, reanimate the debate over Toulouse-Lautrec. The two scientific papers describe the discovery of the approximate location of the gene that when mutated, causes pycnodysostosis. The gene sits somewhere about a third of the way down the bottom arm of chromosome 1 (out of the human complement of 23 pairs of chromosomes).

The scientists found the approximate location of the gene by examining two large families, one Mexican and one Arab, in which many relatives suffer from the skeletal disorder. The scientists involved in the work seem reasonably though not absolutely persuaded that their gene explains Toulouse-Lautrec's dwarfism.

"There's always a hazard to making a posthumous diagnosis," said Dr. Bruce D. Gelb of the Mount Sinai School of Medicine in New York. "But of all the skeletal ab-

normalities we know, this one seems most likely by far to be the right one."

In the accompanying essay, however, Julian B. Frey of the University of Colorado in Boulder, author of a biography of the artist published last year, insists that his medical history "contains enough elements uncharacteristic of pycnodysostosis to raise considerable doubt about the original diagnosis." To which the researchers grumble, Dr. Frey may be a great biographer and historian, but she's no M.D.

Pycnodysostosis is a recessive disorder, meaning an infant must inherit two mutant copies of the gene, one from the mother and one from the father, to suffer the syndrome. Toulouse-Lautrec was born to an aristocratic family that traced its roots back to Charlemagne and that, as often happens among the nobility, tended to marry within the clan. The painter's two grandmothers were sisters, making his parents first cousins. Other first cousins in the family also ended up marrying. And though Henri was the only surviving child of his parents' union, several of his cousins suffered from skeletal disorders and dwarfism, sometimes in combination with neurological troubles and seizures.

**P**YCNODYSOSTOSIS is characterized by mild dwarfism, underdeveloped facial bones, a receding chin, prominent forehead, incomplete closure of the "soft spots" between the plates of the skull, fragile bones that fracture easily, a nose with a parrot-like hook, short fingers and toes, and a tendency to suffer from dental cavities.

Toulouse-Lautrec clearly fits some of this bill. He was just under 5 feet tall (1.52 meters), suffered from repeated, painful fractures of his legs and violent toothaches, and in adulthood his nose grew to prominent proportions, as did his lips, which became so deformed that he had a tendency to drool.

But Dr. Frey insists that the painter lacked other hallmarks of the bone disorder. From her examination of photographs, she concludes that his chin did not recede, his forehead was not prominent and his fingers were long and tapering.



A debate since his death in 1901: What dwarfed Henri de Toulouse-Lautrec?

Dr. Gelb counters that in his reading of photographs taken of the young Henri's profile, "it appears his jaw is not normal, that it's small and receded." The painter nearly always wore a hat, and some suggest he did so to cover his deformed head and the soft spots, or fontanelles, in the skull. Likewise, Dr. Gelb argues that in photographs the fingers appear to be stunted, which would

make Toulouse-Lautrec's achievement as a painter that much more remarkable.

Dr. Gelb says he and his co-workers hope to pin down the diagnosis more precisely once they isolate the gene proper. At that point, they will try to persuade Toulouse-Lautrec's living relatives to be tested to see whether they are silent carriers of the pycnodysostosis trait.

By Malcolm W. Browne  
New York Times Service

**N**EW YORK — Since at least the time of Archimedes, the third-century B.C. Greek physicist who was slain by a Roman soldier, scientists have occasionally had to defend themselves from forces antagonistic to rational thought. Once again many scientists believe their backs are to the wall, and participants at a meeting in New York resolved to start fighting back.

There's growing danger, many said, that the fabric of reason is being ripped asunder, and that if scientists and other thinkers continue to acquiesce in the process, the hobbling of science and its handmaidens — medicine and technology among them — seems assured. Moreover, many participants argued, the same cognitive disease afflicting science in the United States and many other countries could eventually even unravel democracy, which depends on the capacity of citizens to reach rational estimates.

About 200 scientists, doctors, philosophers and educators around the United States convened for a three-day meeting at the New York Academy of Sciences to exchange views. Held under the rubric "The Flight from Science and Reason," the meeting was organized as a call to arms.

Defenders of scientific methodology were urged to counterattack against faith healing, astrology, religious fundamentalism and paranormal charlatanism. But beyond these threats to rational behavior, participants aimed their barbs at "postmodernist" critics of science who contend that truth in science depends on one's point of view, not on any absolute content.

Participants cited the physics of relativity and quantum mechanics as pillars of 20th-century thought that are sometimes distorted by critics of science into arguments that nothing in science is certain and that mystery and magic have an equal claim to belief. At risk is public trust in such scientific tools as statistical analysis, controlled laboratory and clinical experiments, and the study of history, anthropology and every other field dependent on disciplined, rational thought.

Another weapon increasingly wielded

by opponents of science, participants warned, is the frequent allegation that fraud in scientific inquiry has become so common that scientists cannot be trusted.

Dr. David L. Goodstein, a physicist and vice provost of the California Institute of Technology, said that although fraud existed, it was not nearly as common as critics of science contended. Dr. Goodstein, who has worked with federal agencies in developing guidelines on misconduct in science, said that from 1980 to 1987 only 26 cases of misconduct came to light — involving three ten-thousandths of 1 percent of scientists receiving research grants.

Although most medical schools discount the claims of chiropractors, faith healers and practitioners of "alternative medicine," many medical schools lack the courage to stand by their convictions. Dr. Gerald Weissmann, a doctor at the New York University Medical Center, said, "Medicine and science today are being confronted by lunatics, fascists and the practitioners of bizarre magic," he said.

**A**MERICANS have become fascinated by angels and "out-of-body" experiences, said Dr. Wendy Kaminer of Radcliffe College in Cambridge, Massachusetts, and seem to be discarding the habit of critical thinking. It is in this environment that irrational ideas take hold, she said. "They tell us, for instance, that there is no death, only 'energy transformation,' and that science, born out of speculation, cannot help us understand the spiritual world."

"The dissemination of pseudoscience, including such things as the fascination with near-death experiences, the growing belief by Americans — 34 percent of them — in reincarnation, and such books as the best-seller 'Abduction: Human Encounters with Aliens' by Harvard University's John E. Mack, are dangerous. They help to break down the standards of reason, and that can lead to such vicious doctrines as Aryan theories of race, and Lysenkoism." The term is named after Trofim D. Lysenko, an agronomist who believed that acquired characteristics could be inherited, and nearly destroyed Soviet agriculture.

## Chimpanzee 'Talk': Is It Really Language?

By George Johnson  
New York Times Service

**N**EW YORK — Panbanisha, a Bonobo chimpanzee who has become a star among animal language researchers, was strolling through the Georgia woods with a group of her fellow primates — scientists at the Language Research Center at Georgia State University in Atlanta. Suddenly, the chimp pulled one of them aside. Grabbing a special keyboard of the kind used to teach severely retarded children to communicate, she repeatedly pressed three symbols — "Fight," "Mad," "Austin" — in various combinations.

Austin is the name of another chimpanzee at the center. Dr. Sue Savage-Rumbaugh took as a sign of affirmation. She rushed to the building where Austin lives and learned that earlier the day two of the chimps there, a mother and her son, had fought over which got to play with a computer and joystick used as part of the training program. As Dr. Savage-Rumbaugh saw it, Panbanisha had had a secret she urgently wanted to tell.

A decade and a half after the claims of animal language researchers were discredited as exaggerated self-delusions, Dr. Savage-Rumbaugh is reporting that her chimpanzees can demonstrate the rudimentary comprehension skills of 2½-year-old children. According to a series of recent papers, the Bonobo, or pygmy, chimps, which some scientists believe are more humanlike and intelligent than the common chimpanzees studied in the earlier

flawed experiments, have learned to understand complex sentences and use symbolic language to communicate.

"She had never put those three lexigrams together," Dr. Savage-Rumbaugh said, referring to the keyboard symbols with which the animals are trained. She found the incident particularly gratifying because the chimp seemed to be using the symbols not to demand food, which is usually the case in these experiments, but to gossip.

In a book to be published later this year, "Apes, Language and the Human Mind: Philosophical Primatology" (Routledge), Dr. Savage-Rumbaugh and her co-authors, Dr. Stuart Shanker, a philosopher at York University in Toronto, and Dr. Talbot Taylor, a linguist at the College of William and Mary in Virginia, argue that the feats of the chimps at the Language Research Center are so impressive that scientists must now re-evaluate some of their most basic ideas about the nature of language.

**M**OST language experts dismiss experiments like the ones with Panbanisha as exercises in wishful thinking. "In my mind this kind of research is more analogous to the bears in the Moscow circus who are trained to ride unicycles," said Dr. Steven Pinker, a cognitive scientist at the Massachusetts Institute of Technology who studies language acquisition in children. "You can train animals to do all kinds of amazing things."

Dr. Noam Chomsky, the MIT linguist whose theory that language is innate and unique to people forms the infrastructure of the field, says attempting to teach linguistic skills to animals is irrational — like trying to teach people to flap their arms and fly.



Kanzi, Bonobo chimp, in earphones.

"Humans can fly about 30 feet — that's what they do in the Olympics," he said. "Is that flying?" The question is totally meaningless. In fact the analogy to flying is misleading because when humans fly 30 feet, the organs they're using are kind of homologous to the ones that chickens and eagles use." Arms and wings, in other words, arise from the same branch of the evolutionary tree. There is no evidence that the chimp utterances emerge from anything like the "language organ," Dr. Chomsky believes resides only in human brains.

Following Dr. Chomsky, most linguists argue that special neural circuitry needed for language evolved after man's ancestors split from those of the chimps millions of years ago. As evidence they note how quickly children, unlike chimpanzees, go from cobbling together two-word utterances to effortlessly spinning out complex sentences with phrases embedded within phrases like Russian dolls.

But Dr. Shanker and colleagues insist that Dr. Savage-Rumbaugh's experiments suggest that there is not an unbridgeable divide between humans and the rest of the animal kingdom, as orthodox linguists believe, but rather a gradation of linguistic skills.

## Azores Sunken 'Museum' to Open

By William J. Broad  
New York Times Service

**N**EW YORK — The Azores in the age of exploration were an obligatory last stop for ships returning to Europe with the wealth of the Americas and the Orient, full of gold and silver, silks and spices, gems and diamonds, porcelains and fine steels. Over the centuries, thousands of galleons and other ships stopped at the lush volcanic isles for rest and refreshment, bracing for the final push home — often to no avail.

Attacked by pirates, destroyed in battle, ravaged by storms, many hundreds of vessels sank to form a hidden museum off roads to the deepest divers.

Until now. The doors are opening for the first time, exciting salvors and archaeologists around the world as they jostle for position. By some estimates, the Azores' deep waters hold not only the world's greatest concentration of treasure wrecks but countless warships and artifacts that offer an unusual window on Western history and development.

"It's a turning point," Dr. Margaret Rule, a prominent archaeologist in England, said. "The Azores were the crossroads of the Atlantic."

Robert F. Marx, a treasure hunter who has investigated hundreds of shipwrecks, called it an archaeological prize. "I've found so much gold and silver in my life that I'm sick of it," he said from Lisbon, where he is vying for a license to explore in the Azorean waters. "This is different. It's my childhood dream come true. It's the only place I know where there's hundreds and hundreds of intact ships. It's history come alive."

Dr. Francisco J.S. Alves, director of the National Museum of Archaeology in Lisbon, said the stakes were extraordinarily high, calling the Azores "a kind of world sanctuary of underwater culture."

Protected by unusually deep and icy waters, the shipwrecks of the Azores are now attracting attention partly because technological advances are opening the abyss. Lost ships have long been salvaged in shallow waters, where divers go down 100 feet (30 meters) or more. But deeper ones, like most of those in the Azores, have become accessible only with the wide availability of advanced gear that is beginning to illuminate the sea's inky depths for the first time.

The other factor is Portugal. Proud of its maritime past, happy to aid the Azorean economy, eager to increase revenues from taxes and fees, Lisbon is opening the Azores' deep waters bold not only the world's greatest concentration of treasure wrecks but countless warships and artifacts that offer an unusual window on Western history and development.

As such, the Azores are a case study in whether an ocean state can foster both private gain and public knowledge, a delicate balancing act that has failed in some countries and invariably upsets partisans.

"The question is whether these riches go to the antiquities markets and private collectors or to museums and scholars for scientific study," said Dr. Alves, who has advocated the government of favoring commercial interests over scholarly ones.

Robert F. Marx, a treasure hunter who has investigated hundreds of shipwrecks, called it an archaeological prize. "I've found so much gold and silver in my life that I'm sick of it," he said from Lisbon, where he is vying for a license to explore in the Azorean waters. "This is different. It's my childhood dream come true. It's the only place I know where there's hundreds and hundreds of intact ships. It's history come alive."

"The law is good," he said. "It can make Portugal the center of all the underwater archaeology in the world."

Experts say Lisbon's wreck debate is haunted by the threat of theft, just as in

yore days when pirates looted Spanish and Portuguese treasure fleets.

"The government recognizes that there'll be piracy unless they get control," said Dr. Rule. "It's an administrative and practical question of trying to resolve a problem that already exists in Portuguese waters."

Dr. Kevin J. Crisman, an archaeologist at Texas A&M University in College Station, who has made inquiries about the Azores, said the potential rewards for scholarship were vast, perhaps including discovery of the sturdy little ships known as caravels, a class that included the *Nina*, *Pinta* and *Santa Maria*, but about which little is known.

"It has to be fantastic," Dr. Crisman said of the Azorean wrecks. "For the 16th, 17th, and 18th centuries, it's a very rich place in terms of archaeological potential. You even have a good chance of finding a ship from a time before Columbus was in diapers. We have all these questions about the ships of that period."

Twelve hundred miles west of Lisbon, the Azores were stumbled upon by Portuguese mariners early in the 15th century and quickly became a vital crossroads because of north Atlantic winds that blow past each other in opposite directions.

Through trial and error, mariners began with Columbus in 1492, discovered that their sails could catch easterly winds in the lower latitudes and ride them across the Atlantic. To return, they simply moved northward to catch the westerlies that blew them back toward Europe — and into the Azores, which are generously spread over the sea and hard to miss. Treasure fleets returning from the New World were joined by ones coming back from India, China and Japan by way of a long sea route that took them twice around the horn of Africa. Perils included hurricanes, fog, pirates and war.

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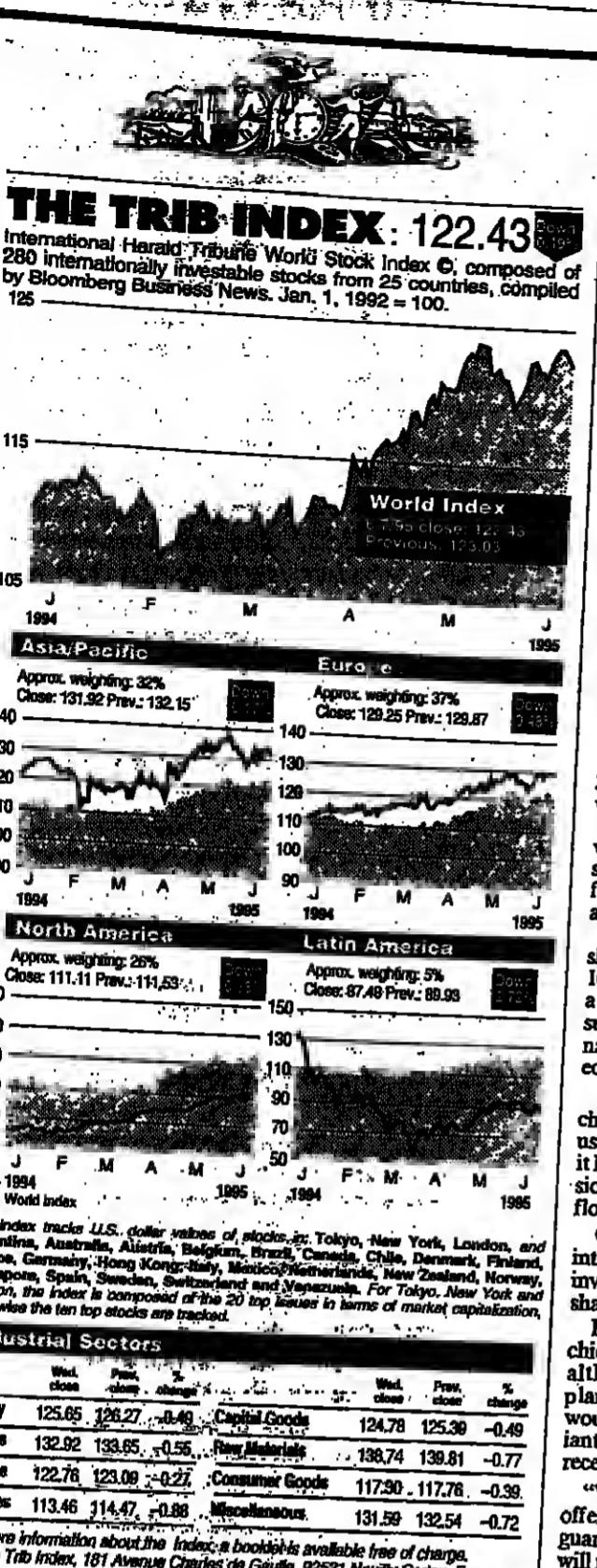
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Finance	122.71	123.08	-0.32
Services	113.46	114.47	-0.88

For more information about the index, a booklet is available free of charge. Write to The Index, 181 Avenue Charles de Gaulle, 92221 Neuilly Cedex, France.

© International Herald Tribune

## INTERNATIONAL MANAGER

### Salomon Chief Faces Mutinous Staff

By Stephanie Strom  
and Peter Truell  
New York Times Service

**N**EW YORK — The date had been set for almost a year. All around the globe, the managing directors of Salomon Brothers Inc., Wall Street's bond-trading powerhouse, were preparing to gather at the company's headquarters in the World Trade Center for their annual meeting, scheduled for the third weekend in May.

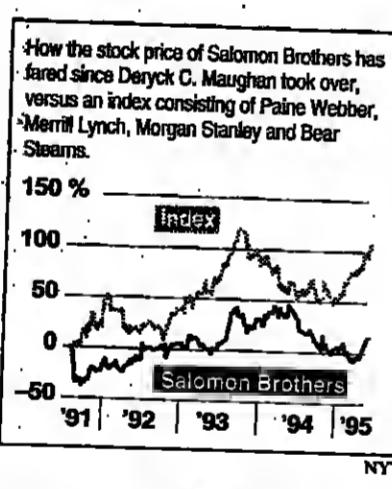
But Deryck C. Maughan, Salomon's chief executive, knew he could not have the meeting without offering the 180 directors at least an outline of how he expected to deal with compensation, an inextricable issue ever since he announced cutbacks late last year.

"If he wasn't willing to stand up and elucidate what the firm was going to do about pay this year and next, he might as well not stand up at all," said one director, who insisted on anonymity.

So, two weeks before the planned gathering, Mr. Maughan postponed it until November, presumably in the hope that buoyant bond and equity markets would allow him to talk about raises by then.

The threat of a slowdown with the restive directors speaks volumes about Mr. Maughan's increasingly troubled reign at Salomon.

Cataapulted to the top nearly four years ago in the aftermath of the Treasury-bond scandal that threatened the firm's



existence, Mr. Maughan is now on the defensive, if not quite on the ropes, because of a combination of painful market shifts and strategic blunders. And though the man who put him on top, Warren E. Buffett, Salomon's biggest shareholder, is still in his corner, time may no longer be on his side.

Mr. Maughan was brought in by Mr. Buffett largely because of his reputation as a skilled manager of the firm's Tokyo office who had few ties to the old guard and its cowboy culture. But Mr. Maughan, who has made his share of mistakes, has remained an outsider in New York.

In a broader sense, the fact that Salomon is still floundering shows how resis-

tant the firm has been to his efforts to effect change. Because it has continued to make big bets on market moves, rather than diversifying successfully into more stable businesses as other firms have, Salomon is much more at the mercy of outside forces it cannot control. And that has left Mr. Maughan subject to inside forces that he cannot control.

"The people chemistry there is at least in part dysfunctional and is exacerbating an already difficult situation," said Samuel L. Hayes, a Harvard Business School professor who has written about Mr. Maughan and Salomon Brothers.

Indeed, while Mr. Maughan has been the consummate courtier outside Salomon — calling on clients, cultivating Mr. Buffett and soothing regulators' ruffled feathers in the wake of the bond scandal (the result of a rogue trader's phony bids) — he has been losing control of his own troops.

His close ties to Mr. Buffett have only emphasized the rank and file's perception of Mr. Maughan (who is British) as an outsider, which makes him a convenient lightning rod for frustration over the firm's troubles. And there have been many troubles lately.

For one, Mr. Maughan failed to deliver on a promise to build up the firm's client-driven businesses to reduce the volatility of Salomon's earnings, which have relied heavily on risky profits generated by arbitrage. In fact, Salomon has been losing market share in such key

See SALOMON, Page 15

## CURRENCY & INTEREST RATES

### Cross Rates

Crosses in Amsterdam, London, Milan, New York, Paris and Zurich. Ratios in other centers:

10-day forward rates: \* U.S. dollars per unit; \*\* U.S. dollars per unit; \*\*\* U.S. dollars per unit;

available.

### Other Dollar Values

Currency per \$: U.S. dollars per unit; \*\* U.S. dollars per unit; \*\*\* U.S. dollars per unit;

American 1.393 2.000 1.393 2.000 1.393 2.000

Australian 1.3977 2.257 1.3977 2.257 1.3977 2.257

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British 1.3975 2.255 1.3975 2.255 1.3975 2.255

Canadian 1.3975 2.255 1.3975 2.255 1.3975 2.255

Chinese yuan 1.3975 2.255 1.3975 2.255 1.3975 2.255

Czech koruna 1.3975 2.255 1.3975 2.255 1.3975 2.255

Danish krona 1.3975 2.255 1.3975 2.255 1.3975 2.255

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## THE AMERICAS

## Investor's America



Compiled by Our Staff From Dispatches

CINCINNATI — General Electric Co.'s aircraft engines division said Wednesday it had begun modifying the engine it was installing in Boeing Co.'s new 777 twin-jet aircraft because of problems that emerged during testing.

The engine, part of the GE-90 family of engines, showed "some imbalance" during two tests, said Pat Klaus, a spokeswoman for the GE unit in Cincinnati.

Boeing stock closed up \$6.20 cents at \$61.375, while General Electric stock finished down 12.5 cents at \$57.25.

General Electric Co. said Tuesday it had found a problem in the final development of its version of the jet engine that powers Boeing Co.'s new 777, but both companies said they believed were still on schedule to deliver planes equipped with the GE90 engines to British Airways PLC in September.

General Electric said the problem was discovered during so-called bird-ingestion tests, in which the carcass of an eight-

pound bird is fired from a cannon into an engine operating at full throttle.

Although the GE90's new composite turbine blades and aluminum casing emerged unscathed from the test, there was more imbalance in the engine than had been anticipated, the company said.

The cause of the imbalance was found to be the failure of an aluminum part mounted between the blades that has an aerodynamic function.

"We're in the process right now of a redesign," said Rick Kennedy, a General Electric spokesman. "We're working to assess what impact it will have on our flight schedule, but we're working right now with Boeing on a plan to meet the schedule for September delivery," he said. "We want to implement and validate the fix before we commence flying again."

"We talked, and while it's too early to know the impact, we're still confident we're on schedule," said Stephanie Mudgett, a spokeswoman for Boeing.

Boeing delivered the first 777, which was

equipped with Pratt & Whitney engines, to United Airlines last month. On Tuesday, travelers on a United flight from London to Washington became the first paying passengers to travel on the new jet, which cost an estimated \$3 billion to develop.

"One of the beauties of competition is that Boeing has a variety of engines to offer," Howard Rubel, an analyst with Goldman Sachs, said. "There is not a delay at General Electric that may or may not delay deliveries to British Airways."

In addition to engines made by General Electric and Pratt & Whitney, which is a unit of United Technologies Corp., the 777 is available with an engine made by Rolls-Royce PLC.

On May 31, the Federal Aviation Administration said the 777 could skip a two-year test period and begin flying routes that took it as much as three hours flying time away from the nearest possible landing point.

(Bloomberg, NYT)

## Fears of Slowdown Pull Stocks Back

Compiled by Our Staff From Dispatches

NEW YORK — U.S. stocks fell Wednesday amid concern the economy was weakening too much for corporate earnings to keep growing.

The Dow Jones industrial average fell 23.17 points, to

## U.S. Stocks

4,462.03, after being down as much as 35.97 points. The average had risen 8.65 points on Tuesday to a record of 4,485.20.

"There is now beginning to be a tug of war," said Ricky Harrington, technical analyst at Interstate-Johnson Lane. "On one hand, there are low interest rates and the possibility of lower interest rates, and yet the very reason for those interest rates is a slowdown in business and its effect on earnings."

About 13 stocks fell for every eight that rose on the New York Stock Exchange, where 331.32 million shares traded down from 342.38 million shares.

Stocks rallied to record highs through the first five months of this year amid expectations that earnings would continue to grow, but recent reports showing a drop in employment and slower overall economic growth have dimmed that optimism.

The Dow industrials have gained 17 percent so far this year.

The latest sign of an econo-

mic slowdown came from Roadway Services Inc. and TNT Freightways Corp., two big freight transporters. Both companies said that second-quarter earnings would fall below their results a year ago because shipments of goods have lagged.

The technology-laden Nasdaq Composite Index, meanwhile, climbed 2.19 to 881.59. Among the leaders in the volatile sector, Microsoft climbed 1/4 to \$4 and Intel rose 1/4 to 113/4.

The other bright spot, health-care stocks, rose when Smith Barney raised its ratings of 10 health maintenance organizations. United Healthcare's stock was a leader in the sector, rising 2 to 41/4.

Caterpillar shares surged 1/4 to 60 after the maker of heavy machinery said it would raise its quarterly dividend 40 percent.

In the bond market, the yield on the benchmark 30-year issue hovered near a 15-month low for a third day, but investors were reluctant to push yields lower without dramatic new evidence of a slowing economy and mild inflation. The yield on the 30-year Treasury bond rose to 6.55 percent from 6.51 percent Tuesday.

Shares of electric utilities fell in step with a drop in bond prices and corresponding rise in yields. Duke Power slipped 1/4 to 41/4 and Detroit Edison fell 1/4 to 30.

(Bloomberg, Reuters, AP)

## Hospitality Franchise to Buy Century 21

By Edwin McDowell  
New York Times Service

of \$30 million contingent upon certain levels of home sales in the United States through 1997.

Century 21, the largest U.S. residential real-estate sales organization, has about 6,000 franchised offices, including about 1,200 in 10 foreign countries. Its 1994 revenue was about \$130 million. It is based in Irvine, California.

Hospitality, based in Parsippany, New Jersey, has about 4,400 franchises, with almost 450,000 rooms. Its brands in-

clude Days Inn, Ramada Inn and Howard Johnson. Last year, it had a net income of \$33.5 million on revenue of \$313 million.

"We have looked for quite some time to expand our trademark beyond hotels," said Henry Silverman, the chairman of Hospitality Franchise Systems.

"We provide service to both hotels," he said. "Now we'll provide service to the residential real-estate business."

Harry P. Kamen, chief execu-

utive of Met Life, said it decided to sell Century 21, which it acquired in 1985, "as part of our ongoing strategy of focusing on our core business operations."

Mr. Silverman said that while

Century 21 was a successful

business, be expected to in-

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to the parent company's per-

share earnings and provide re-

venue diversification.

"Today's actions reflect the board's confidence that we have the people, products and plans to meet growing demand from customers around the world and consistently build shareholder value well into the next century," said Donald V. Fites, Caterpillar's chairman and chief executive officer.

• AT&T Corp. will sell part of its microelectronics business to Siemens AG, the German company said. Terms were not disclosed.

• MasterCard International said it had joined the Oracle Set-Top Alliance, a group of companies in the interactive-television industry that exchange information on technology, business and standards issues.

• Sony Electronics Inc., Asahi Glass America Inc. and Corning Inc. said they would invest \$300 million in a joint venture to build a television glass manufacturing plant near Pittsburgh.

• K-Tek Holdings Inc., a unit of Kohlberg, Kravis, Roberts & Co., has agreed to buy Reliance Comm/Tec, an electronics unit of Rockwell International Corp., for \$475 million.

Bloomberg, Reuters, AFP

CATERPILLAR Increases Dividend 40%

PEORIA, Illinois (Bloomberg) — Caterpillar Inc. said Wednesday its board had increased its quarterly cash dividend by 40 percent, to 35 cents a share from 25 cents, payable Aug. 19 to shareholders of record July 20.

The maker of construction and earth-moving machinery said the board also had authorized the repurchase of as many as 10 percent, or about 20 million, of the company's common shares outstanding over the next three to five years.

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Bloomberg, Reuters, AFP

Compiled by Our Staff From Dispatches

NEW YORK — Hospitality Franchise Systems Inc., the world's biggest hotel franchiser, said Wednesday it had reached an agreement in principle to buy Century 21 Real Estate Corp. for \$200 million in cash and stock from Metropolitan Life Insurance Co.

The purchase price does not include an additional payment

of \$30 million contingent upon certain levels of home sales in the United States through 1997.

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Bloomberg, Reuters, AFP

PEOPLES Increases Dividend 40%

# Unemployment In Germany Slips To 20-Month Low

Compiled by Our Staff From Dispatches

NUREMBERG — Unemployment in Germany fell to 9.0 percent in May from 9.4 percent in April, reaching the lowest level since September 1993, the Federal Labor Office said Wednesday.

The number of people out of work dropped by 143,000, to 3.46 million, the fifth straight month of decline.

Seasonally adjusted West German unemployment, which economists see as the most significant indicator of the health of the labor market, edged down to 2.54 million in May from 2.55 million in April. The April figure was revised upward from 2.54 million reported a month ago.

Economists said the figures were better than they had expected but said the data did not signal a major shift in the outlook for continued sluggishness in the German job market.

"Looking over the first five months of the year, this is pretty disappointing," said Holger Schmidinger of Merrill Lynch in Frankfurt. He said he did not expect the Bundesbank to cut its discount rate until late this year.

The central bank did allow its 14-day repurchase rate to slip to 4.50 percent Wednesday from 4.51 percent, but analysts said the easing was not a sign of major policy moves to come.

Bernhard Jagoda, president of the labor office, said the employment data showed the labor market would have to wait longer for the effects of economic recovery to show.

"After a recession it is usual for employers to remain cautious about hiring," Mr. Jagoda said. "That is what is happening in Western Germany."

Concern that the lingering strength of the Deutsche mark will crimp exports also slowed hiring, analysts said.

In Eastern Germany, the jobless count in May declined to 995,178 from 1,040,305. The region's unemployment rate slipped to 13.3 percent from 13.9 percent.

(Reuters, Bloomberg, AFP)

## Rosy Scenario for Portugal Includes Warning on Deficit

Compiled by Our Staff From Dispatches

LISBON — Portugal's export-led recovery should speed up, but the government must cut the budget deficit further, the Organization for Economic Cooperation and Development said Wednesday.

In its survey of Portugal, the group said the economy could grow by almost 3 percent this year, with slightly faster growth in 1996. The economy grew 1.2 percent in 1994.

"The short-term outlook is for a quickening in the pace of the economic expansion in 1995 and 1996, driven by further export market growth, the coming on-stream of new export capacity and a rebound in domestic demand," the report said.

The OECD also predicted that unemployment would fall below 6.5 percent in 1996, compared with 7.1 percent at the end of 1994.

But the Paris-based organization said that further action was needed to lower Portugal's budget deficit to 3 percent by 1997. Slowed by lower inflation and government cuts, the deficit was 5.8 percent of gross domestic product in 1994.

"The structural budget deficit is estimated to remain in the range of 4 to 5 percent of GDP, requiring further action to correct it," it added.

The survey said Lisbon had almost completed the liberalization of its financial sector and was making progress in the privatization of state enterprises.

(Reuters, AFP)

## 'Green' Clothes Take Root

Bloomberg Business News

BOCHUM, Germany — It takes exactly seven weeks for Britta Steilmann's underwear to decompose.

For this fashion designer, that's a sign of quality.

"It means they have no chemicals in them, nothing that provokes allergies, nothing that can damage your health," she said.

Ms. Steilmann, 29, the eldest daughter of Europe's largest apparel manufacturer, is determined to prove that it is possible — and profitable — to make clothes without polluting the environment.

To this end, she started her company, called It's One World, and added biodegradable clothes to Germany's long list of recyclable products.

Ms. Steilmann said she expected her line of plant-dyed knitwear, biodegradable underwear and organic-cotton jeans in show sales of 9 million Deutsche marks (\$6.4 million) this year, up from 7 million DM last year.

The clothing companies Esprit and Marc O'Polo offer "green" fashion lines, as do such mail-order companies as Otto Versand GmbH and Otto Steilmann GmbH, the parent company of Ms. Steilmann's It's One World.

Other aren't so sure. Some of the world's most stringent environmental and recycling laws, most of the attention has been focused on Ms. Steilmann and her 3-year-old company in the

A survey by the trade publication Textile Economy found that although 60 percent of German consumers said they would like to buy eco-lines, only 5 percent said

**German consumers spent more than 250 million DM last year for clothes classified as 'eco-friendly.'**

they actually bought them, and only 38 percent said they would be willing to pay extra.

Nonetheless, sales of clothes classified by their makers as eco-friendly — a broad term encompassing natural-fiber fabrics free in one degree or another from damaging chemicals — exceeded 250 million DM last year.

The clothing companies Esprit and Marc O'Polo offer "green" fashion lines, as do such mail-order companies as Otto Versand GmbH and Otto Steilmann GmbH, the parent company of Ms. Steilmann's It's One World.

In Germany, which has some of the world's most stringent environmental and recycling laws, most of the attention has been focused on Ms. Steilmann and her 3-year-old company in the

heart of the once-vibrant textile region near Düsseldorf.

"She's made the issue popular because she has a name," that is well known, said Iris Staubsand, ecology director of Interessen Gemeinschaft für Damen Oberbekleidung, the organization that runs Germany's largest textile trade fair.

Ms. Steilmann, who introduced her fashion line in 1992, has some of the most stringent ecological standards in the business. Her cotton, for example, is only from plantations certified by the International Federation of Organic Agriculture Movement. It is not bleached or treated with synthetic, or glue-based, sizing agents.

Shrinkage is controlled with a system that avoids the use of resins or ammonia.

"I follow a product from its planting in its recycling to make sure every aspect is developed properly," she said.

Ms. Steilmann's clothes are free of synthetic material as she can make them.

Buttons are made of wood, horn, bone or mother of pearl; linings and thread of organic cotton; zippers of nickel-free copper and zinc, and elastic bands from natural rubber.

She says her underwear line will disintegrate if left outside on a compost heap for two months, though not if kept dry in a drawer.

"We've tried it," she said. "It's a form of quality control."

## Hambros Cuts Payout As Net Falls

Compiled by Our Staff From Dispatches

LONDON — Hambros PLC reported a 58 percent drop in pretax profit on Wednesday, halved its dividend payout to shareholders and said there was no sign of a pickup in difficult trading conditions.

Pretax profit in the year to March 31 fell to £37.1 million (\$58.9 million) from £87.8 million, mainly because of lower banking profit.

Hambros shares slumped 26 pence, in 185 pence. Banking analysis attributed the sharp fall in its decision to cut its dividend to 7.5 pence per share from 15 pence.

"Trading since April 1 has not yet reversed the trend of the second half of last year," Lord Hambro, the company's chairman, said.

Lord Hambro said the year was "exceptionally difficult, particularly in the Treasury and bond markets."

Banking profit fell to £35.0 million from £72.9 million as dealing profit fell and Hambro Clearing was unprofitable. Hambro said the firm was now withdrawing from its clearing operations.

"There is no little sign of recovery in these markets," Lord Hambro said.

The Hambro Countrywide unit was hit by a poor housing market and the cost of merging with Nationwide Building Society's estate agency business.

(Reuters, Bloomberg)

## Investor's Europe



Source: Telekurs International Herald Tribune

## Very briefly:

• OMV AG, an Austrian oil and chemicals company, confirmed estimates of a five-fold increase of first-quarter pretax profit, to 950 schillings (\$95.5 million), from the year-ago period, as sales rose 17 percent in 22.84 billion schillings.

• Heijmans NV plans to raise 45 million guilders (\$28.4 million) in a rights issue to finance the purchase of two building companies.

• Daily Mail & General Trust PLC shares fell 6 percent on investor concern about rising newsprint prices even as the media company reported a 60 percent increase in first-half pretax profit, to £38.3 million (\$60.8 million).

• Ontekumpa Oy, a Finnish metals company, said pretax profit in the first four months of the year rose to 751 million markkaa (\$173.6 million) from 304 million markkaa.

• Arja Wiggins Appleton PLC said it was buying the New York papermaker Newton Falls from Stora Kopparbergs Bergslags AB for \$60 million as part of a total \$270 million investment in its North American business over the next 18 to 24 months.

• Tele Danmark AS and Stet International of Italy submitted the highest bids of around \$1.5 billion in a race to take effective control of the Czech telephone monopoly SPT Telecom AS.

• Unilever NV said it had agreed to acquire the British, German and Portuguese bakery material businesses of Archer Daniels Midland Co. for an undisclosed sum.

(Bloomberg, Reuters)

## Granada Plans Satellite TV

Compiled by Our Staff From Dispatches

LONDON — Granada Group PLC is making preliminary plans to launch a satellite television service, the British company's chief executive, Gerry Robinson, said Wednesday.

As Granada released record results, Mr. Robinson told a television interviewer that it was looking at linking up with British Sky Broadcasting Group PLC, in which it holds a 10.8 percent stake.

In the year to April 1, Granada's pretax profit rose 50 percent from the year-ago period, to £154.5 million (\$245.4 million). Granada raised its dividend by 16 percent, to 3.85 pence, and its stock closed up 3 pence at 605 pence.

(AFX, Reuters)

## Link-Up Rumors Help Suez and Pinault

Compiled by Our Staff From Dispatches

PARIS — Shares in Compagnie de Suez rose Wednesday after the company said it had held preliminary talks with Pinault-Printemps-Redoute SA about a financial link-up.

Suez, which is in financial trouble, did not confirm a newspaper report that said Pinault was poised to take a stake in the financial service company. A link with Pinault would spare it from a rumored hostile takeover offer from Banque Nationale de Paris.

There have been preliminary contacts between the two chairman. But there are no negotiations under way," a spokeswoman for Suez said in response to the report in the daily Le Figaro.

The Figaro article caused a flurry of activity on the Paris bourse. Shares in Suez closed at 1,045 francs (\$211), up 8.90.

Pinault said its chairman, François Pinault, had met with Gérard Worms, the head of Suez, but added that no negotiations had actually been launched.

Suez is seeking to find a clear role for itself after being hit by huge losses suffered on the

property market. It has already sold its insurance interests and is in the process of pulling out of property.

Suez is opposed to the idea of a merger with BNP because it fears the bank would use Suez's cash reserves to fund its own expansion and use its merchant banking arm, Banque Indosuez, to develop its business in financial markets. BNP has denied press reports that it was seeking to take control of Suez.

Mr. Worms has denied rumors that the Bank Indosuez was for sale.

Analysts said a link between

Suez and Pinault would make little commercial sense. They said such a link would be aimed at warding off hostile predators, including Union des Assurances de Paris as well as BNP.

Some analysts said the idea was rooted in a tradition among France's top managers of pursuing personal ties and grand projects rather than putting shareholders' interests first. Mr. Worms and Mr. Pinault are reported to be friends.

"This is the French financial establishment in action," said one analyst, who asked not to be named. (Reuters, Bloomberg)

(Reuters, AFP)

## U.S. STOCK MARKET DIARY

### Indexes

Dow Jones

Standard & Poor's

AMEX

Nasdaq

Dow Jones Bond

Trading Activity

NYSE

AMEX

Dow Jones Bond

Market Sales

Dividends

Stock Tables Explained

### Most Actives

June 7, 1995

High Low Close Chg. Opn

Grains

Metals

SOYBEAN MEAL (CBOT)

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June 7, 1995

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# Rising Yen Hits Taiwan's Trade Surplus for May

Compiled by Our Staff From Dispatches

TAIPEI — Taiwan's exports rose to a record in May, but the yen's rise cut the dollar value of its trade surplus by almost a third, analysts said Wednesday.

Led by a surge in sales to other Asian countries, Taiwan's exports soared 19.2 percent in May from the like 1994 month, to \$10.07 billion, the Ministry of Finance said.

Exports to Hong Kong, Taiwan's largest overseas market and the conduit for its trade with China, rose 24 percent, to \$2.5

billion. Sales to Japan jumped 33.8 percent, to \$1.1 billion.

The sharp appreciation of the yen against the Taiwan dollar and the U.S. dollar, although helping to boost exports to Japan, narrowed Taiwan's surplus, analysts said.

Increased prices on goods from Japan, Taiwan's biggest overseas supplier, contributed to a 34.8 percent rise in the value of imports from that country, to \$2.65 billion, and a 27.3 percent increase in overall imports, to \$9.25 billion, the ministry said.

The big rise in imports more than offset the improvement in exports and led to a 30.4 percent fall in Taiwan's trade surplus from a year earlier, to \$819.5 million.

"The higher yen will help exports, yet in the short term the trade surplus with Japan will rise because we're importing increasingly costly parts," said Hsu Tzu-kuan of the Taiwan Institute for Economic Research.

The central bank said Taiwan's foreign-exchange reserves rose to a record \$100.6 billion at the end of May. The return on investment of the reserves stood at 5.96 percent, compared with 5.61 percent at the end of 1994.

In the first five months of 1995, Taiwan's exports rose 23.4 percent from a year earlier, to \$44.6 billion. Imports climbed 23.4 percent, to \$42.2 billion, and the trade surplus widened 22.4 percent, to \$2.36 billion. (Bloomberg, AFP)

## Beijing Awaits Overtures on WTO Entry

Knight-Ridder

HONG KONG — Beijing will not arrange any more talks on entry to the World Trade Organization but will respond to invitations from member countries, the South China Morning Post reported Wednesday.

"We are not going to make any effort to set up more meetings, but if others do so, we'll be pleased to attend," the paper quoted Gu Yongzhang, a senior official at the Ministry of Foreign Trade and Economic Cooperation, as saying.

"Whatever happens, we plan to maintain close trade ties with countries in the WTO," he said in Hong Kong.

In May, China held informal discussions with major WTO members, but the talks reportedly made little progress. Mr. Gu repeated the government's position that China should be allowed to join the organization as a developing, not developed, country—a major sticking point in negotiations.

"Our obligations and responsibilities can only be those of a developing country," Mr. Gu said.

## SALOMON: Mutiny Brews at Firm, Despite Buffett's Backing for Chief

Continued from Page 11

client businesses as equity and debt underwriting and mergers and acquisitions.

Last year, in a performance that Mr. Maughan himself described as "appalling," it lost \$963 million before taxes, largely because of sour market conditions and the discovery of a decade's worth of accounting errors.

And the cut in compensation—the bedrock of a Buffett-backed plan to restore profitability that was regarded by insiders as Mr. Maughan's ultimate act of disloyalty to them—set off an exodus of talented traders, bankers and other professionals. The directors kept heading for the door, taking some of the firm's business with them, even after Mr. Maughan restored part of the cuts in April.

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### ANNUAL GENERAL MEETING

- of shareholders of GT EUROPE FUND will be held at the offices of Banque Internationale à Luxembourg, Société Anonyme, 69, route d'Esch, L-1470 Luxembourg, on Friday, June 16, 1995 at 11.00 a.m. with the following agenda:
- 1. To hear and accept the Reports of:
  - a. The Directors
  - b. The Auditor
- 2. To approve the Report of the Directors for the year ended 31 December, 1994 including the Statement of Net Assets as at 31 December, 1994 and Statement of Operations for the year ended December 31, 1994.
- 3. To discharge the Board of Directors and the Auditor with respect of their performance of duties for the period ended December 31, 1994.
- 4. To elect the Directors to serve until the next Annual General Meeting of Shareholders.
- 5. To elect as Auditor to serve until the next Annual General Meeting of Shareholders: Coopers & Lybrand S.C.
- 6. To declare a dividend in respect of the year ended 31 December, 1994.
- 7. To approve the payment of directors' fees.
- 8. Any other business.
- 9. Adjournment.

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting.

In order to take part at the meeting of June 16, 1995, the owners of bearer shares will have to deposit their shares five clear days before the meeting with one of the following banks who are authorized to receive the shares on deposit:

## Analysts Pan Tokyo's Bank Plan

Compiled by Our Staff From Dispatches

TOKYO — A series of pronouncements, press leaks and proposals concerning Japan's banking crisis indicates the government is not serious about solving the problem, analysts said Wednesday.

Finance Minister Masayoshi Takemoto said the government would announce a plan to deal with the mountain of bad debt "very soon." He reiterated that public funds would not be used.

A front-page article in Japan's largest business daily, meanwhile, outlined what the paper said were the major measures the government was considering:

• The deposit-insurance system would be changed to allow failing banks to tap funds before going bankrupt or merging with another bank. Currently, the funds can be used either to help depositors after a bankruptcy or to help an institution that agrees to absorb an ailing one.

• The deposit-insurance fund, currently holding only about \$90 billion yen (\$9.42 billion), would collect additional reserves to protect depositors.

• Banks would be encouraged to further disclose the extent of their bad loans.

• The liquidation of property and other collateral behind bad loans would be encouraged, probably through auctions.

• Credit unions would be encouraged to convert themselves into banks and other businesses. The effect of this would be to bring them under the jurisdiction of the Finance Ministry rather than of local governments.

Analysts viewed the measures as little more than a recitation of the strategy already in use to deal with the problem. They said the thorniest issues in the financial system had not been addressed in the proposals.

"It's very limp," said David Threadgold, an analyst with BZW Securities in Japan. "There's absolutely nothing there."

On Friday, Mr. Masayoshi said the use of "public funds" was an "important theme" in discussions aimed at solving the banking crisis. He has now backed away from this stance.

Japan's banking problems date from the country's "bubble" economy of the 1980s, when banks lent trillions of yen to developers, construction companies and

other businesses that invested in real estate. When the bubble burst, dragging down property prices and the stock market with it, the banks were left with a mountain of bad debt.

A senior official at the Ministry of Finance said Tuesday that bad debts at Japanese banks totaled 40 trillion yen.

"I can't believe this is the final statement," said Elizabeth Daniels, an analyst with Morgan Stanley & Co. "It's more a stage in trying to build a consensus. The bankers have reached a consensus that public funds are needed to solve the problem. Now the Ministry of Finance has to reach its consensus and after that, the Diet."

Nearly all independent analysts have concluded that troubled lenders' problems cannot be solved without an injection of public funds, no matter how controversial that turns out to be.

Separately, Sakura Bank Ltd.'s debt rating was lowered by Standard & Poor's Corp. to A minus, from A. The New York-based rating concern cited the bank's bad loans.

(Bloomberg, Knight-Ridder)

### Investor's Asia

	Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225	
Exchange	Index	Wednesday Close	Prev. Close	% Change
Hong Kong	Hang Seng	8,382.58	8,497.83	-1.21
Singapore	Straits Times	2,178.11	2,190.98	-0.54
Sydney	All Ordinaries	2,016.60	2,020.10	-0.22
Tokyo	Nikkei 225	15,879.62	15,860.99	+0.12
Kuala Lumpur	Composite	1,057.80	1,080.52	-2.10
Bangkok	SET	1,462.39	1,397.22	+0.37
Seoul	Composite Index	599.36	599.04	+0.04
Taipei	Stock Market Index	5,681.88	5,678.81	+0.06
Mandal	PSE	2,858.85	2,877.33	-1.34
Jakarta	Composite Index	495.51	494.68	+0.17
Wellington	NZSE-40	2,111.76	2,118.76	-0.33
Bombay	Sensitive Index	3,388.32	3,400.34	-0.32

Source: Telekurs

International Herald Tribune

### Very briefly:

• Enron Corp. came under fire for alleged "underhand dealings" in India; L.K. Advani, president of the Bharatiya Janata party, urged the United States to investigate the company's methods in securing a power contract that was canceled by Maharashtra state.

• AT&T Corp. and Aditya Birla Group of India submitted bids for three regional cellular-phone licenses; the joint venture is to provide services in the states of Gujarat, Karnataka and Maharashtra if its bids are accepted.

• Eurocopter, a joint venture of Aerospatiale and Daimler-Benz Aerospace AG, plans to acquire a controlling stake in Philippine Helicopter Services Inc.; the venture is moving maintenance operations to Manila from Singapore.

• Bangkok Expressway Co. is to raise 4.09 billion baht (\$165.9 million) by offering 99.74 million shares to the public at 41 baht each; the company will offer 20 percent of the shares to foreign investors and 30 percent to the public, while the rest will go to groups including local funds and underwriter clients.

• Thailand gave commercial banks, securities firms and life-insurance companies permission to set up retirement funds.

• Case Corp. of the United States sold 300 combines to Turkmenistan in a transaction valued at \$45 million; the company plans to expand its operations in Asia.

• Australia is to send 100 government and business leaders to Shanghai in September to sound out business opportunities at a trade and investment forum.

• NBC, the U.S. TV network owned by General Electric Co., appointed Shing-kwong Fung, formerly general manager of Television Broadcasts Ltd., president of NBC Asia Ltd.

• Asia Pacific Resources International Holdings Ltd. of Singapore said it got government approval to set up paper mills in China.

• Boral Ltd. of Australia may sell part or all of its elevator and building-technology unit; the company said it had been approached by a number of major elevator groups.

• Dong Ah Construction Industrial Co. of South Korea received a \$5.68 billion contract from Libya to lay 1,100 kilometers of water pipe.

AFX Bloomberg, Knight-Ridder

## Central Banker Jolts Sydney Bonds

Compiled by Our Staff From Dispatches

SYDNEY — Reserve Bank Governor Bernie Fraser played his sport Wednesday, putting chances of an interest-rate cut on the back burner and crushing the biggest bond market rally in more than three years.

The central banker, in Seattle for an international monetary conference, was quoting as saying it would be a "bit premature" to suggest Australian rates would be lower soon.

"The economy is clearly slowing down," he said. "It's a question of if it's slowing down enough."

Prices of three-year bonds people that basically, people are plunged afterward, and their getting a bit carried away in

yield rose to 7.88 percent from 7.72 percent.

Australian shares fell as foreign investors continued to shun the local market and domestic fund managers assessed conflicting signals about the direction of interest rates, traders said. The Sydney All Ordinaries

yield rose to 4.5 points to 15.05 percent.

While Mr. Fraser's comments vindicated the views of many traders and economists, they denied prospects for the bond market and the Labor Party government, which is gearing up for elections.

"I think it's just reminding

people that basically, people are

plunged afterward, and their getting a bit carried away in

(Bloomberg, Knight-Ridder)

activities as the company's 50,000 union members have engaged in a work-to-rule action.

Korea Telecom is the country's nerve center," Mr. Kim was quoted as telling Mr. Lee. "I will make the KT incident a breakthrough in suppressing illegality and corruption."

The Labor Ministry, meanwhile, announced measures aimed at easing labor shortages by promoting the employment of citizens over 55 years old.

The package includes subsidies for companies whose work force includes at least 6 percent older workers.

(AFP, Reuters)

Such upheaval at any other company would have led long ago to the creation of an office pool to beat on the timing of the chief executive's departure. But Mr. Maughan yields a shield that most chieftains would envy: Mr. Buffet's support.

Still, even Mr. Buffet cannot just stand by indefinitely if Salomon continues to implode.

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**Wednesday's 4 p.m. Close**  
Nationwide prices, not reflecting late trades elsewhere.  
*The Associated Press.*

**Continued on Page 1**

NASDAQ

**Wednesday's 4 p.m.**  
The 1,000 most popular N.Y.C.

The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.  
*The Associated Press*

The Associated Press. 55

NYSE

**Wednesday's 4 p.m. Close**  
(Continued)

# RUSSIA

## GETTING READY FOR LARGE-SCALE ECONOMIC GROWTH

*Private businesses are flourishing.*

A stroll along Tverskaya Ulitsa - Moscow's main drag, with its dozens of construction projects, banks and glitzy shop windows - should be enough to convince any doubter that rapid growth is taking place in the Russian economy. A subway ride across town to the troubled Zil auto plant or a hop on a plane to a Urals city like Chelyabinsk, however, shows industry at a standstill.

While many of Russia's old industries are dying, new and vibrant private businesses are rising from the ashes to take their place.

According to Pavel Teplukhin, an economist with the independent Center for Economic Performance, the recovery is starting from infrastructure - telecommunications, banking, financial services, construction and hotels. Industrial production is not growing, but at least it has stopped falling.

**Stabilizing the economy**  
Boosted by a \$6.8 billion loan from the International Monetary Fund approved in April, Russia is poised to stabilize its economy and create the conditions for large-scale investment and growth. Investors' fears persist about slow progress in reforming the country's complex and often hostile legal and tax systems.

Unlike previous attempts at economic stabilization, the government seems to mean business this time: M2 money supply grew by just 1 percent a month in the first quarter of 1995, and Russia is financing its budget deficit with an expanded program of domestic borrowing, instead of the Central Bank running its printing presses.

In any case, the IMF is keeping a close eye on developments. It is releasing loans on a monthly basis so that money can be withheld if there is any major transgression from the mutually agreed economic program, which envisages slashing the country's deficit to just 5.6 percent of gross domestic product this year, from more than 10 percent last year.

On current evidence, the IMF need not worry. Russia's achievements in the first few months of the year have been striking.

Monthly inflation has fallen from a 12-month high of 18 percent in January to 8.5 percent in April, and the government is aiming to bring the rate below 2 percent by the end of the year.

The battered ruble, which lost 30 percent of its value in the first four months of the year, has begun to rally against the dollar, and government officials say they will no longer force the currency downward in a bid to aid exports.



Thriving commerce in Moscow (above)  
and brisk sales of Coke at a concert in the Red Square (left):  
Although Russia's tax and legal systems remain problematic,  
Western investment is pouring  
into the country.

Economic decline has all but bottomed out: GDP fell by just 5 percent in the 12 months up to March, compared with a 17 percent drop a year earlier. Some branches of industry - nonferrous metals, forestry, fertilizers - have already begun to grow again.

### Through the net

Moreover, the extent of Russia's revival is undoubtedly underestimated by the government's statisticians, who were trained to study a planned economy. Much private business activity slips through their net. Even official figures show that the burgeoning private sector now accounts for over 60 percent of GDP.

Many private businesses prefer to keep as far away from the government line of vision as possible, not necessarily because they are doing anything illegal (although some of

them undoubtedly are), but to avoid taxes that are often simply stupid and punitive.

One lightning-rod example is the excess-wages tax, which imposes a 38 percent levy on employers who pay their staff salaries higher than \$50 per month.

This tax is a disaster for foreign investment, says Peter Charow, executive director of Moscow's American Chamber of Commerce.

### Investment disincentives

A recent survey conducted by the Center for Economic Performance shows Russia's legal and tax systems to be the biggest disincentives to foreign investment.

Russia has promised to drop the excess-wage tax next year, but its assurances of a wholesale reform that would rationalize the number of taxes levied and shift the burden

away from business toward individuals have so far failed to materialize.

Also long-delayed is a comprehensive law that would rein in Russia's wild securities markets and help reassure portfolio investors, weary after a series of scandals involving everything from stock dilutions to share deletions.

The creation of a Federal Securities Commission and its elevation to ministerial status are strong indications that the government is serious about defending investors' rights.

The big danger now facing Russia is that good intentions will fall by the wayside as election season looms, first for the parliament in December and later for the presidency in June.

The Communist Party is expected to do well at the parliamentary polls, and reformers in the government could be tempted to loosen the reins on spending in order to attract more votes.

Euan Craik

## FOREIGN INVESTORS LURED BY A POTENTIAL GOLD MINE

*After months of stagnation, foreign investment in Russia seems set for a boom later this year.*

A push from both lawmakers and the private sector to regulate the country's nascent capital markets - coupled with steadily falling inflation - is expected to lure investors back to this potential gold mine of a market. "Last year, there was a

boom in portfolio investment and we are expecting a second boom in foreign investment," Deputy Prime Minister Anatoly Chubais, a leading reformer and chief of the State Commission on Securities and Capital Markets, told reporters in Washington recently.

In the summer of 1994, foreign cash was pouring into Russian securities at a rate of \$500 million a month, but dipped to \$50 million by December, owing to a sudden increase in inflation and the beginning of the Chechen conflict.

A measure of security  
Western-led efforts to bring a measure of security to portfolio investment will pave the way to a more efficient stock market, experts say. "Several projects are going through, which will lead to greater confidence and a larger investment base," says the director of a large Moscow brokerage. "It is a big step toward creating a liquid stock market."

The broker cites a project by Chase Manhattan Bank, which has received approval

from the U.S. Securities and Exchange Commission to provide custodial services for American clients, as well as an effort led by the Bank of New York to create a super-share registrar. "With portfolio investment, you need to know you are getting what you pay for," he says.

On the legislative side, a senior regulatory official applauded deputies' moves toward creating open shareholders' registers, as the State Duma - the lower house of parliament - passed the crucial second reading of a draft securities law in late April.

"It is very important from the point of view of market transparency," says Dmitry Vasiliyev, deputy head of the securities commission, which is structured along the lines of the U.S. SEC and has the status of a ministry. "The draft law is a very good basis for the development of the stock market in the country," he adds.

Toast of the whiz kids  
Legal quagmires have proven a strong impediment to investment. A survey con-

ducted in April by the Moscow-based Center for Economic Performance showed that legal issues top the list of disincentives.

"Once you sort out the custody and registration issue, you will unlock a rush of portfolio investment," says Liam Halligan, an economist with the center and co-author of the report.

"People invest in emerging markets for many reasons, including a cheap labor force and a large market potential. Combine those two things with fabulous mineral resources, geographic and cultural proximity to Europe and a very high level of human capital, and Russia should be the toast of the emerging market world."

One factor that should encourage foreign investors is domestic interest in Russia's capital markets. "If the environment would be quite attractive and pleasant for domestic investment, foreign investment would also follow," says Andrei Illarionov, who heads the independent Institute for Economic Analysis.

While foreign direct investment - which from the private sector totaled about \$1 billion in 1994 - is a more long-term process, it can be buoyed by the stock market.

"Direct investment takes a lot longer because it depends on long-term stability," Mr. Halligan says. "But there is clearly a link between equity investment and foreign direct investment because a large amount of equity investment means people learn a lot about Russia, break the taboo."

Natalya Mileusnic

## ST. PETERSBURG: RICH PAST AND REVITALIZED PRESENT

*Cultural attractions and a dynamic government fuel St. Petersburg.*

To international tourists, St. Petersburg's prime attractions are its 18th century Italianate palaces and "prospects" (broad boulevards), its dazzlingly ornate 19th century emporiums and the chance to encounter Russia's late 20th century realities. The geographic hub of the city is the Winter Palace, home to the Hermitage, one of the world's definitive museums.

The palaces and emporiums, gleaming in fresh paint or still masked by scaffolding, relate an important part

of the city's reality: The renewal of its nonpareil stock of buildings is progressing quickly.

### Safety and security

The bustling crowds that fill the prospects at most hours of the day and evening evince other aspects of modern St. Petersburg: The city seems to be thriving and safe. "As long as one observes the standard rules of prudent behavior applied in any major metropolis nowadays, St. Petersburg is a safe city, in which simply strolling and looking is a great pleasure," says Ferdinand Wieland, general manager of St. Petersburg's Nevskij Palace hotel.

Now entering its third year of operation, the Nevskij Palace is perhaps

the most visible sign of another late 20th century reality in St. Petersburg and elsewhere in Russia: the advent of a large and sophisticated tourism sector. The city offers numerous pricey restaurants, Irish pubs and other staples of global travel.

Once the great deficiency of the Soviet system, travel-related services are improving rapidly. Tourist information booths and signs are popping up in the downtown area. Banks and other money-changing facilities are strewn throughout the city.

"This improvement has been especially gratifying for international travelers, as they are most dependent upon promptly receiving accurate, comprehensible, reliable information and business services," says Mr. Wieland.

In meeting this need, the Marco Polo hotels assist in the securing of all necessary visas and in the staging of

*Continued on page 20*

## Russian National Commercial Bank



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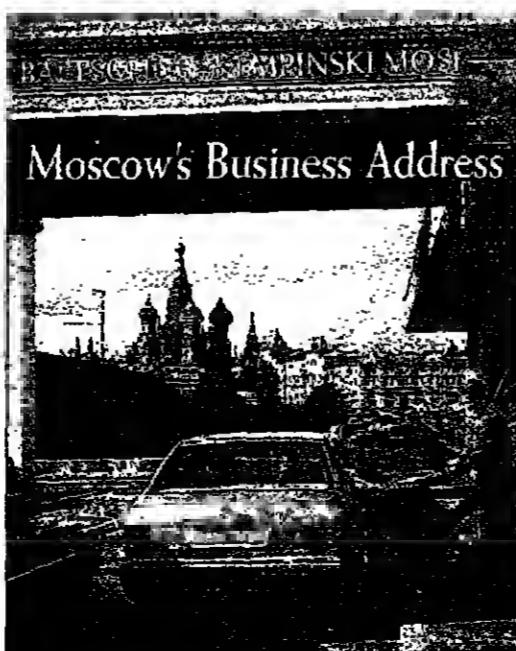
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RAYTHEON 15

## RUSSIA



Infrastructure improvements and liberalized trade measures boost the energy sector.

## LIBERALIZATION OF ENERGY

*A survey of major changes in the country's lucrative oil and gas sector.*

This year, Moscow has taken a giant step toward liberalizing oil exports by abandoning a system of state-controlled quotas, slashing export tariffs and granting all oil companies direct access to foreign markets. Under pressure from the World Bank and the International Monetary Fund, Russia has scrapped the category of so-called "special exporters," a select group of fewer than 20 companies through which all oil producers had to channel their exports.

Combined with the removal of restrictive quotas and reduced export tariffs, the measures encouraged dozens of oil companies — formerly confined to the domestic market, where prices are approximately one-third of the world level — to apply to export up to 100 percent of their produce. The capacity of Russia's export pipelines is limited — 100 million tons of crude a year, or just under 30 percent of the country's annual output; this restricts sales abroad, and so far there has been no substantial increase in exports. Russia's pipelines are also in a dire state. Last year alone, some 3 million tons of oil were lost through pipeline accidents.

**Billions of extra dollars**  
A series of projects now under way will boost the amount of oil Russia can pump to the rest of the world by millions of tons, earning the country billions of extra dollars in tax revenues. In the meantime, the government continues to allocate companies' pipeline access, this is a common cause of complaint among exporters, who charge that the system is arbitrary, unfair and open to corruption.

Western oil companies operating in Russia, however, have spared such headaches. As a measure to attract foreign investment, joint ventures are guaranteed the right to export their earnings out-of-pocket. Joint ventures accounted for about 10

## Radical restructuring

Privatization has seen Russia's monolithic oil industry develop into eight major oil companies — some of which are big enough to rival the West's energy giants. These oil companies are currently busy purchasing everything from gas stations to oil refineries in a bid to turn themselves into vertically integrated concerns along the lines of their Western counterparts. LUKoil, with profits of \$200 million last year, is the largest and most forward-thinking of the group. It has emerged as one of the most popular stocks on the country's burgeoning equity market. Next year, it plans to raise \$300 million through a bond issue on Western markets to renovate and re-equip its facilities.

The state is due to sell its remaining holding in the oil companies later this year, and analysts predict a scramble for the equity.

Russia's giant natural-gas monopoly Gazprom — potentially the world's largest company in terms of its gas reserves — also has plans to float shares on Wall Street. Gazprom is so big that its shares account for around a quarter of the value of the Russian stock market.

Peculiarly, though, the securities have hardly changed hands since the company was privatized two years ago. Standing in the way of trade in Gazprom is a byzantine rule stipulating that the company must give its permission for any of its shares to be bought or sold.

With export earnings alone at around \$8 billion last year, however, Gazprom remains a lucrative strategic investment, and several of the world's leading energy companies have expressed an interest in taking a stake in the Russian gas giant.

Alexander Gordeyev

## BANKING STRATEGY: UPGRADE INDUSTRIAL INVESTMENT

*Russia's strongest banks aim to meet international standards.*

**R**ussia's rapidly growing banking sector is struggling to come of age and join the world financial community by hiring Western auditors, working on international banking programs and joining the international credit card unions.

The post-Soviet banking explosion left Russia with about 2,700 banks. Some of them can barely make ends meet — about half of Russian banks are on the verge of bankruptcy, according to the Central Bank. The strongest banks, however, are struggling to carve out a large slice of the economy for themselves.

A consortium of seven of the country's biggest banks recently presented a proposal to the government whereby they would lend the government much-needed money in exchange for control of the state's shares in key Russian enterprises.

The government has yet to

give a response, but the indications are that the deal will go ahead in one form or another.

## Strategy for growth

Having made their fortunes on currency speculation and the handling of lucrative state accounts, the best Russian banks are now looking to investment in industry as a strategy for long-term stability and growth.

Inkombank, a member of the consortium and the most successful of Russia's new wave of commercial banks, says it wants to become a "100 percent international standards bank" this year.

"Our new strategy means that we are going to develop at a more moderate rate, but preserve our part of the market," says Viktor Moiseyev, the bank's senior vice president. "It also means strengthening our financial position by reaching international standards. We are go-

ing to improve the process of taking decisions connected with high credit risks, to make deep portfolio diversification and to set reserves against risks."

The bank's audit was carried out last year by KPMG, a member of the "Big Six" international accounting firms. Inkombank is one of some 40 Russian banks working with the World Bank to bring their operations in line with world standards.

The bank's 1994 net profit of 204.5 billion rubles (\$40.9 million) stands out in a year that was generally flat for the Russian banking industry. Banks' consolidated assets more than doubled, from \$46 billion in 1992 to \$94 billion in 1993, but only grew by \$2 billion in all of 1994. Investment also leveled off, staying constant at \$30 million.

One Russian bank, Tokobank, had its efforts to



The old for the new: Banks exchange rubles printed before 1993.

FREDERIQUE ENGELBRECHT/ANADOLU

come up to international standards lauded by Euromoney magazine, which called it the "best Russian bank" in 1994.

Launched five years ago, Tokobank has seen its annual turnover rise to 428 trillion rubles in 1994, from 82.5 trillion rubles in 1993, according to the bank's accounts, audited by Coopers & Lybrand.

Tokobank's attitude to doing business attracted the attention of the European Bank for Reconstruction and Development, which last year bought 14 percent of Tokobank's hard currency charter capital — the first investment in a Russian bank by a foreign one.

Despite a flat profit year,

MOST-Bank spent a significant amount of money to join the Cirrus network to provide its clients with the ability to use their debit cards in London or New York as easily as at home in Moscow.

**Like living in London**  
The card, the first to combine an international card with a local Russian one, "is the result of a three-year effort," says Alexander Poliakov, MOST-Bank's first vice-president. "We polled our clients about the new product, and 100 percent of them said they wanted to live in Moscow and feel as if they lived in London."

Julie Tolkaicheva

prices and willingness to accept barter payments.

All the same, Mr. Kulik says, Russia will find it hard to increase exports, since Western weapons makers, suffering from weaker demand at home since the end of the Cold War, will try to block Russia from the lucrative arms trade. "Arms suppliers nowadays should be ready to give loans or to invest a portion of a deal's worth in the projects inside the buying country, but I doubt we can suggest anything attractive here," he says. "Russian policy has become very active, even aggressive, but we are still unable to compete equally on the market, despite some success in recent years."

Anton Zhigulsky

## CAMPAIGN TO PENETRATE GLOBAL ARMS MARKET

*Russia is determined to bolster its role as an international weapons trader.*

**D**espite the poor performance of some of its weapons in Chechnya, Russia says its aggressive campaign to penetrate the international arms market is paying off.

Moscow forecasts that it will sell weapons and military equipment worth about \$2.6 billion in 1995, compared with about \$1.7 billion last year, according to the head of Rosvoruzhenie, the state-run arms export company. Director-general Alexander Kotelkin said at a press conference last month that the company has already signed contracts worth \$1.675 billion this year.

Russian arms dealers and producers are hoping to tap markets in the oil-rich Middle East for the latest models

of tanks and fighter aircraft. They also plan to expand cooperation with traditional partners India and China, which account for more than two-thirds of Moscow's arms exports.

**Heavy losses in Grozny**  
During the Gulf War of 1991 and more recently in the breakaway republic of Chechnya, Russian arms, especially tanks, were not shown in the most favorable light. Around 100 T-80 tanks were easily knocked out by hand grenades in urban combat during the battle for Grozny. Defense industry officials believe, however, that Russia's heavy equipment losses during the war in Chechnya will not adversely affect the country's

ability to compete on world markets. Mr. Kotelkin says Russia aims to "appear on the markets of three or four new countries" in 1995.

Russia has suffered a huge decline in its arms industry since 1987, when the Soviet Union supplied Warsaw Pact and other client states with an estimated \$22 billion worth of weapons.

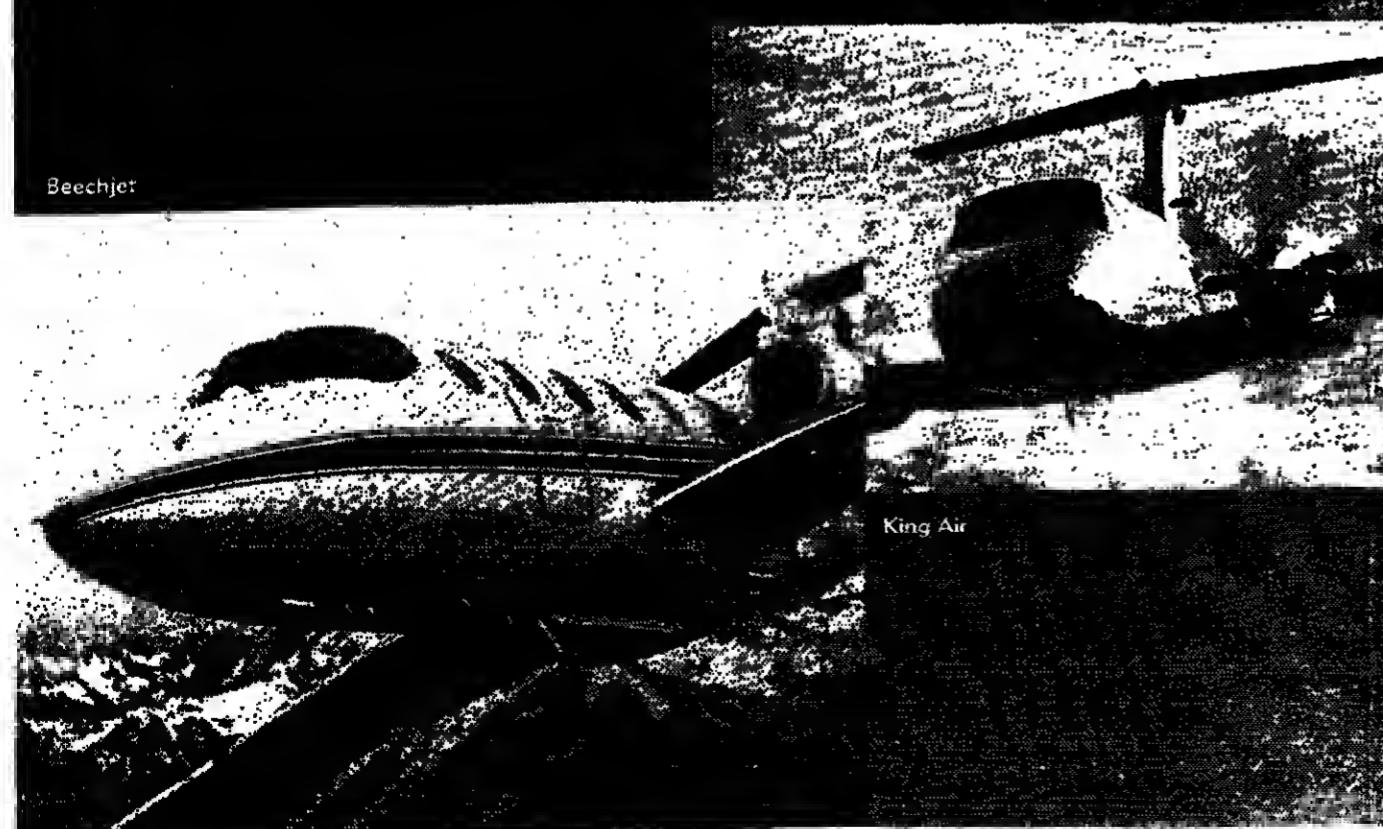
Since the breakup of the Soviet Union in late 1991, Russia slipped from a position of parity with the United States to sixth place in the world.

Nevertheless, Russia has over the last year managed to bolster its position on the international weapons market to an aggressive promotion campaign and active participation in major international arms fairs. "Russia has also several advantages that nobody else has," he says, citing low



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EXPECT GREAT THINGS

## RUSSIA

## TOURISM: READY TO BOUNCE BACK

*Travel opportunities have broadened.*

**M**ore Western-style accommodations and increasing political and economic stability promise to give a boost to Russia's tourist industry in 1995, officials and travel operators say.

"This will be a good year, and we are optimistic," says Sergei Shpilko, deputy chairman of the Russian government committee on tourism, citing improving domestic conditions and more advertising abroad.

The number of foreign visitors dove by almost one-third last year, to 2.6 million, but Mr. Shpilko says that he expects a modest rebound this year.

While Russia has a millennium of history to offer tourists, only in the last several years has it developed a critical mass of Western-grade services and facilities. Over the past few years, several luxury hotels have been built in Russia. Few are as well-appointed as the Hotel Baltchug Kempinski Moscow.

Baltschug and fine dining are not the only reasons why the 234-bed hotel, completed in 1992, is so attractive to travelers. The Kempinski offers an airport pick-up service, thus eliminating one of Moscow's greatest headaches - getting from Sheremetyevo airport into the city.

**Bolshoi and circus**  
In addition, more new facilities, such as ethnic restaurants, have opened to complement traditional attractions like the Bolshoi Theater and the circus.



As Cold War rivalries fade, old Russia continues to charm visitors.

tions like the Bolshoi Theater and the circus.

The biggest problem remains image. "Foreign mass media sometimes exaggerate the difficulties one can face traveling in Russia," says Alexei Zhegalov, managing director of Apex Travel World, a Moscow-based travel agency.

Tourist operators breathed a sigh of relief earlier this year when another potential deterrent to tourism, a bill that would have required all foreign visitors to be tested for AIDS, was rejected by President Boris Yeltsin.

Reports of problems are not without foundation. Before 1991, visiting Russia was a relatively simple matter:

Between government tourist guides and KGB agents, the number of places a foreigner could stay and travel was severely limited, while the state often went out of its way to promote its own image. Now the opportunities are almost limitless - sometimes causing chaos.

**Persistence needed**  
"Come back Brezhnev, all is forgiven," jokes Barry Martin, chief executive of Russian House Ltd., a London-based agency, noting how payoffs and enormous persistence are now sometimes needed for agencies to make even the most basic arrangements. Most hurdles can be cleared up, however, before a traveler arrives.

and boost its economy. "Things are improving in St. Petersburg," says Alexei L. Kudrin, the city's first deputy mayor and finance minister. "Two years ago, we were striving, successfully, to keep our people fed. Last year, we were striving, successfully, to keep our industrial sector alive. This year, we are striving to improve our infrastructure." One problem not on his list is unemployment, which currently hovers around the 2 percent mark. "That figure sounds good," says Dmitry Chernenko, head of St. Pe-

launching reforms 10 years ago.

Not only are the demographics changing, but so are destinations. Whereas in past years, most travel was to Europe for business, leisure resorts such as the Seychelles and the Caribbean are now very popular, Ms. Ivanova says.

For Westerners, the mystique of old Russia continues to charm. "I still get excited walking around Red Square and the Kremlin," says Mr. Martin, who has made more than 150 trips to Russia over the past 30 years. "And the people. Once you become a friend of a Russian, you've got a friend for life."

Jeremy Weinberg

## SECRETS OF A RUSSIAN ROLE MODEL

Anatoly A. Sobchak was born in 1937. After earning a doctorate in jurisprudence, he held the chair of law at the University of Leningrad and also had a legal practice. In 1989, he began his political career and was elected to the Soviet parliament. In 1990, he was elected to Leningrad's city council. A year later, he was elected mayor of the city, which had by now returned to its original name of St. Petersburg. In the following interview, he discusses the development of St. Petersburg and its position as a role model for Rus-

ia's tradition of internationality - have proven to be considerable assets in the securing of foreign investment and in the modernizing of our economy. Another, perhaps even more important asset has been the high level of qualification of our city's work force.

But these assets would still be lying dormant, unused, had our city's government not resolved, clearly and unequivocally, to create a free market economy in St. Petersburg. This commitment was made at the very start of the reform era. It was an expression of our population's consensual wish for change.

Over the past five years, St. Petersburg has achieved notable successes in transforming its economy and administrative structures. Have these successes primarily been products of St. Petersburg's special features, such as its location and its beauty?

This commitment has been made in other areas and communities in Russia - also with positive results. So, although we have been especially successful in St. Petersburg, there is nothing

totally special about our success.

**S**r. Petersburg has a large number of productive, profitable new companies. Many of them share a major shareholder: the municipal government. How did your government come to embark upon this very new kind of activity?

Helping launch companies operating in a free

market was new to many persons in St. Petersburg's government, but managing a major operation and acquiring new expertise were anything but that. Many of us had earned advanced degrees in economics or law or related fields, and most of us had spent years, if not decades, running enterprises and assuring the livelihoods of and providing services to thousands and hundreds of thousands of persons.

Because we had learned all throughout our studies and professional lives, we knew how to learn and what we needed to learn.

Starting five years ago, we began systematically acquiring and transferring the expertise we needed to operate in a new and changing environment. The founding of these companies stemmed from two simple and related realizations: There was no use passively waiting for investors to come and start investing.

It was up to us to start the investment process - and to show that it could be done.

**C**an St. Petersburg serve as a role model to Russia's other communities and regions?

It already is. To give a rise example: To prevent a rise in unemployment, the city government has launched a number of programs and set a number of facilities. Our employment experts are now assisting a number of other Russian communities in instituting programs emulating ours.

Interview by T.S.



## ST. PETERSBURG: RICH PAST AND REVITALIZED PRESENT

*Continued from page 18*

business conferences. Such useful items as reni-an-office and travel arrangements, secretarial staffing, translators and other items are available at various hotels and in associated facilities. Another aspect of St. Petersburg may be witnessed on most evenings in any of the city's theaters, concert halls, jazz joints and other cultural venues.

St. Petersburg also benefits from an activist government determined to make the most of the city's assets

and boost its economy. "Things are improving in St. Petersburg," says Alexei L. Kudrin, the city's first deputy mayor and finance minister. "Two years ago, we were striving, successfully, to keep our people fed. Last year, we were striving, successfully, to keep our industrial sector alive. This year, we are striving to improve our infrastructure." One problem not on his list is unemployment, which currently hovers around the 2 percent mark. "That figure sounds good," says Dmitry Chernenko, head of St. Pe-

tersburg's municipal employment authority. "It does not, however, include the 200,000 persons nominally employed by industrial companies but in fact doing no work and drawing little or no salary. Of course, this figure is counterbalanced by the equal or perhaps even larger number of persons subsisting on off-the-books work in the unofficial economy."

The size of this economy - about 25 percent of the official one, estimates Mr. Kudrin - partially accounts for St. Petersburg's growing

prosperity. It also poses a serious problem for the city's financial authorities, who are dependent upon securing the maximum amount of tax revenues. "It is a problem that will largely resolve itself," says Mr. Kudrin. "Electronic-based transaction and accounting systems are quickly becoming standards in St. Petersburg's rapidly growing business community. Such systems are highly conducive to official monitoring."

The rise of the business community is detailed in official statistics. Some 54

banks have headquarters in St. Petersburg, with another 66 maintaining outlets in the city. Some 248 foreign companies are now operating in the city. In 1994, about \$80 million was invested in the city's corporate sector.

### Successful measures

High rates of corporate foundations, restructuring and investment are coupled with low rates of unemployment. Both trends are largely attributable to the inventiveness of St. Petersburg's activist city government. Successful measures include

"056," the city's "employment hotline;" a citywide network of 20 full-service "employment outreach centers;" and "qualification fairs," where people can enroll in a university or in a professional training program. All told, 1 million people used the city employment agency's services last year.

"Whether it is finding work for individual citizens, or making the entire city a workable proposition, the one constant of our job is hard work," says Mr. Kudrin. Terry Swartzberg

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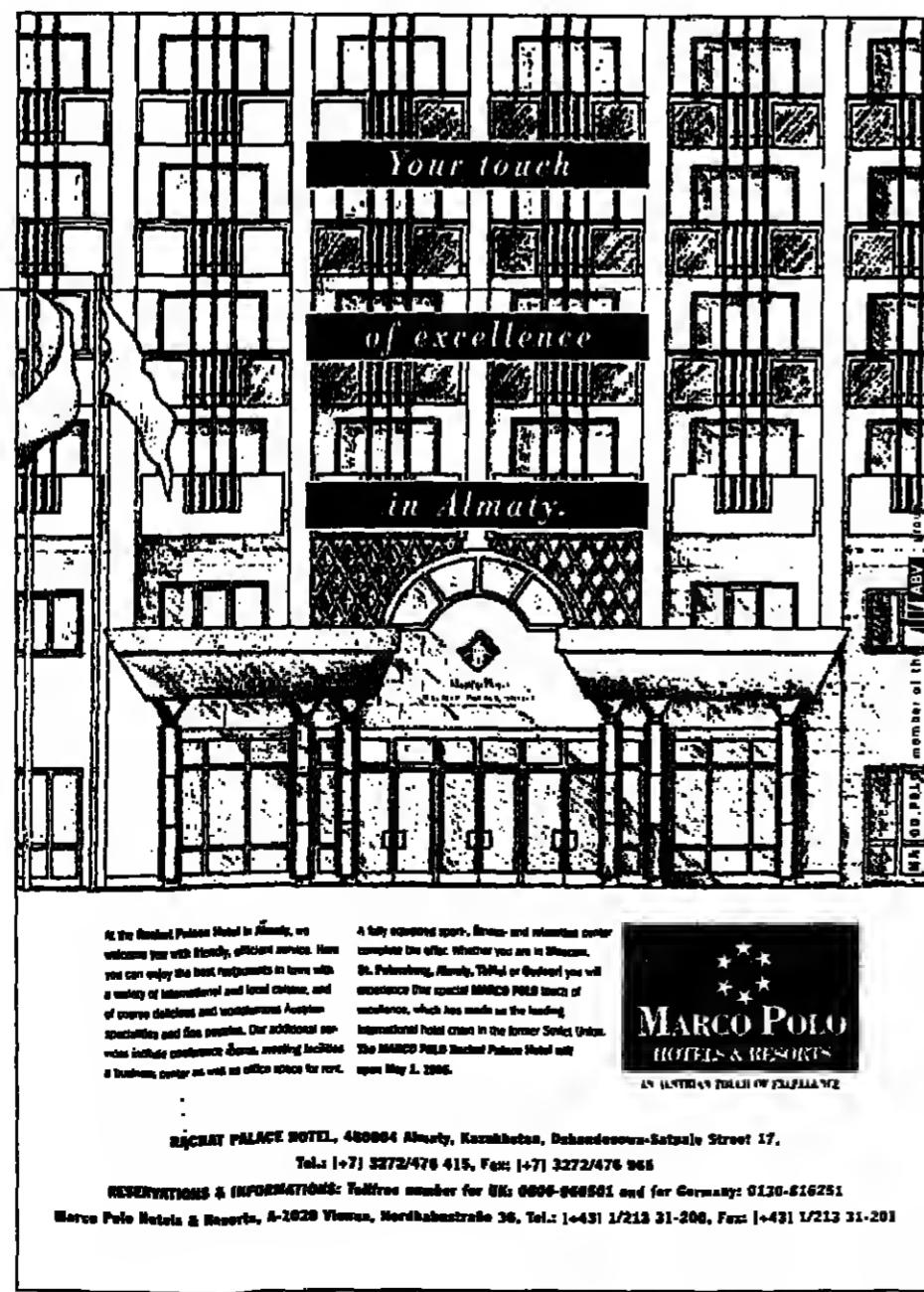
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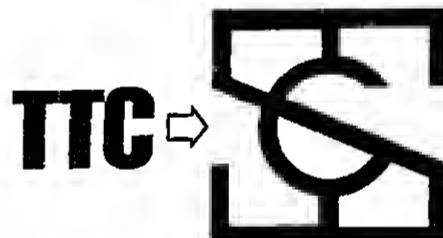
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**THE WORLD'S DAILY NEWSPAPER**

## SPORTS

## 2 Overtimes Give Wings a 3-0 Lead

*The Associated Press*

CHICAGO — After stopping 47 shots in a brilliant goal-tending display, Ed Belfour let his guard down for a second — and it cost the Chicago Blackhawks dearly.

Vladimir Konstantinov's floating wrist shot off Belfour's blocker 9:25 into the second overtime Tuesday night gave

the Detroit Red Wings a 4-3 victory and a 3-0 lead in the Western Conference finals.

"Ninety percent of the goals scored in this league aren't pretty," Detroit forward Dino Ciccarelli said as the Red Wings moved within one victory of their first trip to the Stanley Cup finals since 1966.

Detroit, which used its third consecutive dramatic one-goal victory over Chicago to take a 3-0 lead for its third successive series, can wrap up the best-of-7 Western Conference finals Thursday night at Chicago.

Only twice in NHL history has a team rallied from a 3-0 series deficit to win a best-of-7 series, but Chicago's Gerald DiPietro tried to put a unique spin on his club's dilemma.

"We're out further back than where we started; we still haven't won a game," he said. "I'm not down at all. Each game, we've played better and better."

Indeed, it was the Black-

hawks' best game of the series. But they were still outshot, 51-29, by a Detroit team that has followed a league-best 33-11-4 regular season with an 11-1 playoff run.

Konstantinov didn't even know that the 51st shot, his shot, had gone in until Ciccarelli told him.

"I just shot the puck and turned around to skate back to center," said Konstantinov, whose first career playoff goal ended the longest game of this year's playoffs. "Dino grabbed me from behind and said, 'You scored the goal.' I said, 'No, Dino, I don't trust you.' And he said, 'You scored the goal.' Then I was happy."

Belfour, meanwhile, was despondent. He lay face down on the United Center ice and didn't move as his teammates tried to console him.

Of Belfour's 47 saves, 19 came in the two overtimes.

The play looked innocent enough, with Konstantinov gaining control at center ice, striding into Chicago's zone and putting a soft wrist shot toward goal. But Belfour barely got his blocker on the puck, which landed in the back of the goal.

The Red Wings, who won the series opener on Lidstrom's overtime goal, tied a franchise playoff record with their eighth consecutive victory.

The game drew the largest crowd in Blackhawks history, 22,709.

## SCOREBOARD

<http://www.ihtr.com/scoreboard>

### Major League Standings

AMERICAN LEAGUE					
	W	L	Pct.	GB	
Boston	24	12	.667	—	
Baltimore	16	20	.444	0	
Detroit	15	21	.405	9	
Toronto	15	21	.405	9	
New York	14	21	.405	9	
Central Division					
Cleveland	24	10	.722	—	
Kansas City	20	16	.545	6	
Milwaukee	16	24	.400	10	
Chicago	15	21	.417	11	
Minnesota	11	27	.289	16	
West Division					
California	23	15	.615	—	
Texas	22	17	.564	1	
Seattle	19	24	.454	4	
Oakland	20	18	.526	3	
NATIONAL LEAGUE					
East Division					
Philadelphia	24	12	.667	—	
Atlanta	21	17	.550	3	
Montreal	22	18	.550	3	
New York	15	23	.295	12	
Florida	16	26	.273	13	
Central Division					
Cincinnati	21	15	.549	—	
Chicago	22	15	.556	2	
Houston	19	17	.526	4	
St. Louis	16	24	.400	10	
Pittsburgh	13	23	.333	10	
West Division					
San Francisco	22	15	.564	—	
Colorado	21	17	.553	3	
Los Angeles	19	20	.467	3	
San Diego	17	21	.447	4	
Tuesday's Line Scores					
AMERICAN LEAGUE					
California	14	31	.100-12	17	0
Boston	810	800	.802-6	17	0
London, Jones (7) and Sabreys (1); Hiltz (1); Peacock (2); Lutz (1); McGehee (1); Rowland (1); Womack (1); Jones (1); Loney (1); St. James (1); Hiltz (1); Morris (1); Boston, Greenwell (1).					
Minnesota	112	116	.099-2	4	0
Cleveland	102	98	.096-1	4	0
Chicago	100	106	.093-2	4	0
St. Louis	100	106	.093-2	4	0
Pittsburgh	100	106	.093-2	4	0
Seattle	100	106	.093-2	4	0
Los Angeles	100	106	.093-2	4	0
San Diego	100	106	.093-2	4	0
NATIONAL LEAGUE					
Philadelphia	14	31	.100-12	17	0
Atlanta	810	800	.802-6	17	0
Montreal	21	17	.550	3	
New York	22	18	.550	3	
Florida	15	23	.295	12	
Central Division					
Cincinnati	21	15	.549	—	
Chicago	22	15	.556	2	
Houston	19	17	.526	4	
St. Louis	16	24	.400	10	
Pittsburgh	13	23	.333	10	
West Division					
San Francisco	22	15	.564	—	
Colorado	21	17	.553	3	
Los Angeles	19	20	.467	3	
San Diego	17	21	.447	4	

### Wednesday's Line Scores

AMERICAN LEAGUE					
	W	L	Pct.	GB	
Califonia	14	31	.100-12	17	0
Boston	810	800	.802-6	17	0
London, Jones (7) and Sabreys (1); Hiltz (1); Peacock (2); Lutz (1); McGehee (1); Rowland (1); Womack (1); Jones (1); Loney (1); St. James (1); Hiltz (1); Morris (1); Boston, Greenwell (1).					
Minnesota	112	116	.099-2	4	0
Cleveland	102	98	.096-1	4	0
Chicago	100	106	.093-2	4	0
Pittsburgh	100	106	.093-2	4	0
Seattle	100	106	.093-2	4	0
Los Angeles	100	106	.093-2	4	0
San Diego	100	106	.093-2	4	0
NATIONAL LEAGUE					
Philadelphia	14	31	.100-12	17	0
Atlanta	810	800	.802-6	17	0
Montreal	21	17	.550	3	
New York	22	18	.550	3	
Florida	15	23	.295	12	
Central Division					
Cincinnati	21	15	.549	—	
Chicago	22	15	.556	2	
Houston	19	17	.526	4	
St. Louis	16	24	.400	10	
Pittsburgh	13	23	.333	10	
West Division					
San Francisco	22	15	.564	—	
Colorado	21	17	.553	3	
Los Angeles	19	20	.467	3	
San Diego	17	21	.447	4	

### Thursday's Line Scores

AMERICAN LEAGUE					
	W	L	Pct.	GB	
Califonia	14	31	.100-12	17	0
Boston	810	800	.802-6	17	0
London, Jones (7) and Sabreys (1); Hiltz (1); Peacock (2); Lutz (1); McGehee (1); Rowland (1); Womack (1); Jones (1); Loney (1); St. James (1); Hiltz (1); Morris (1); Boston, Greenwell (1).					
Minnesota	112	116	.099-2	4	0
Cleveland	102	98	.096-1	4	0
Chicago	100	106	.093-2	4	0
Pittsburgh	100	106	.093-2	4	0
Seattle	100	106	.093-2	4	0
Los Angeles	100	106	.093-2	4	0
San Diego	100	106	.093-2	4	0
NATIONAL LEAGUE					
Philadelphia	14	31	.100-12	17	0
Atlanta	810	800	.802-6	17	0
Montreal	21	17	.550	3	
New York	22	18	.550	3	
Florida	15	23	.295	12	
Central Division					
Cincinnati	21	15	.549	—	
Chicago	22	15	.556	2	
Houston	19	17	.526	4	
St. Louis	16	24	.400	10	
Pittsburgh	13	23	.333	10	
West Division					
San Francisco	22	15	.564	—	
Colorado	21	17	.5		



